Dollar's decline

Lull before the storm?

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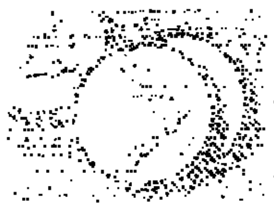

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An end to the cycle of sorrow?

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TOMORROW'S

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How Delors changed the face of Europe

FINANCIAL TIMES

Europe's Business Newspaper FRIDAY JUNE 24 1994 D8523A

Tobacco group chief denies nicotine charges

Thomas Sandefur, chairman of Brown & Williamson Tobacco, a subsidiary of the UK's BAT Industries, yesterday denied his company deliberately manipulated nicotine levels in its cigarettes and misled the public. The denial came as the US Justice Department said it was examining allegations of criminal misconduct by the tobacco industry. Page 16

Queen to give up royal yacht Britannia

The Queen is to help to trim Britain's defence costs by giving up the royal yacht Britannia, left. Defence secretary Malcolm Rifkind said the 41-year-old vessel would be taken out of service in 1997 and the government would consider whether to replace it. He also announced that the Queen and her family will reimburse the Ministry of Defence for the cost of using RAF aircraft for purely private purposes. Page 8

British captives freed unhurt: Kim Housego, 16, son of a former Financial Times correspondent, and London video director David Mackie, 36, captured 17 days ago while on a trekking holiday in Kashmir were released unharmed by their Moslem militant captors. Page 6

French troops start Rwanda mission: French troops flew into eastern Zaire in readiness for Operation Turquoise – the controversial military expedition to rescue civilians trapped in Rwanda's genocidal war. Page 6

High hopes on Ulster deal: Senior Whitehall officials voiced confidence that prime minister John Major and Ireland's premier Albert Reynolds could agree the framework for a comprehensive political settlement in Northern Ireland by mid-July. Page 9

AT&T, the largest US telecommunications operator, announced an alliance with Unisource, a venture between the Swedish, Dutch and Swiss national operators. Page 17; Lex, Page 16; AT&T's hidden agenda, Page 20

US relief at N Korea accord: There was enormous relief in Washington over an agreement to freeze North Korea's nuclear programme and paving the way for talks in Geneva next month. Page 6

Abiola held by police: Moshood Abiola, who defied proclaimed himself president in defiance of Nigeria's military administration, was arrested and was being questioned in connection with alleged treason.

Brussels faces steel challenge: German and Dutch steel producers said they would go ahead this week with a European Court challenge to Brussels' decision to approve state subsidies for an Italian state steel producer. Page 2

UK Budget day: This year's UK budget will be on November 29, it was announced.

Portugal central bank: Portuguese secretary of state for finance António de Sousa replaced Miguel Beleza, who quit as Bank of Portugal governor. The appointment cast doubt on the central bank's independence. Page 2

Rothmans International, tobacco group, is to cut 1,000 jobs in Europe in a further rationalisation of cigarette manufacturing. Page 17

Mexico-Brazil relations cool: Relations between Mexico and Brazil are being strained by the battle to head the World Trade Organisation which will succeed the General Agreement on Tariffs and Trade next year. Page 7

Eurotunnel announced that only two-thirds of the UK tranche of its £858m ($1.3bn) rights issue was taken up, significantly lower than for the 1990 issue. Page 17

Japan drug shares probe: Japan's securities industry watchdog raided a drug wholesaler, Nippon Shoji, at the centre of a scandal over alleged share sales by 175 employees and their relatives just before an announcement linking the company's shingles drug to the deaths of 15 patients. Page 6

Exit for ex-champion: Former champion Stefan Edberg was beaten in a five-set second-round match by Denmark's Kenneth Carlsen at the Wimbledon tennis championships.

■ STOCK MARKET INDICES		
FT-SE 100:	2,942.4	(-18.0)
Yield	4.21	
FT-SE Eurotrack 100	1,336.98	(+13.98)
FT-SE-A All-Share	1,476.35	(-0.6%)
Nikkei	21,040.21	(+458.89)
New York: lunchtime		
Dow Jones Ind Ave	3,717.46	(-7.29)
S&P Composite	461.51	(-1.58)
■ US LUNCHTIME RATES		
Federal Funds:	4¼%	
3-mo Treas Bills: Yld	4.252%	
Long Bond	86	
Yield	7.242%	
■ LONDON MONEY		
3-mo Interbank	5½%	(same)
Liffe long gilt future:	Jan 101½	(Jun101½)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Aug)	$17.20	(17.48)
■ Gold		
New York Comex (Aug)	$391.5	(391.4)
London	$390.7	(same)

■ STERLING		
New York lunchtime:		
$	1.5395	
London:		
$	1.5386	(1.5356)
DM	2.4671	(2.4579)
FFr	8.4428	(8.4113)
SFr	2.0763	(2.0684)
Y	155.624	(154.627)
£ Index	79.9	(79.6)
■ DOLLAR		
New York lunchtime:		
DM	1.60255	
FFr	5.48225	
SFr	1.348	
Y	101.15	
London:		
DM	1.6035	(1.6006)
FFr	5.4875	(5.4775)
SFr	1.3495	(1.347)
Y	101.15	(100.695)
$ Index	64.0	(63.9)
Tokyo close Y 101.31		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KS50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L30000
						UAE	Dh12.00

Steady dollar helps European bonds and stocks

Traders warn currency's downward trend not yet reversed

By George Graham in Washington and Philip Coggan in London

The US Administration's defiant response to the dollar's renewed plunge earlier this week appeared to be paying off yesterday as the currency held steady.

But traders warned that the foreign exchange markets remained extremely nervous and suggested that the Administration had not yet reversed the general trend of the dollar's decline.

In London, the dollar closed slightly higher against both the yen and D-Mark at Y101.15 and DM1.6035 respectively, from Y100.695 and DM1.6006 on Wednesday. Rumours of co-ordinated central bank intervention punctuated the day, but were not translated into action.

"The dollar is sitting just slightly above the level where intervention might be expected" said Mr Michael Saunders, economist at Salomon Brothers.

The steadiness of the US currency helped most European bond and stock markets, although bonds and shares traded lower in New York in the early afternoon. The US benchmark 30-year bond was down a quarter of a point yielding 7.409 per cent, while the Dow Jones Industrial Average was 6.34 points lower at 3,718.43.

Foreign exchange dealers appeared yesterday to have stayed largely on the sidelines for fear of concerted intervention by the central banks of the Group of Seven leading industrial nations.

That could change if signs of disagreement emerged among the G7 partners in the run-up to their summit meeting, which opens in Naples in two weeks' time.

Japan has been the most outspoken in voicing its concern over the dollar's fall, which damages its export prospects at a time when the country's economy is slowly recovering. But officials from continental Europe have also expressed increasing irritation at currency instability.

They too fear that the dollar's fall, and its knock-on effects on long-term interest rates, could choke off their own recoveries.

Administration officials yesterday reiterated President Bill Clinton's upbeat assessment of the US economy on Wednesday in which he urged investors to pay more attention to fundamentals.

Mr Leon Panetta, the White House budget director, tried to reassure the debt markets by promising that the US budget deficit had turned a corner, and could fall as low as $225bn in the current fiscal year, far below the original estimate of $301bn.

But the financial markets appear already to be anticipating an even lower deficit than this, so Mr Panetta's good news had little effect.

Government bond markets were strong in Europe with 10-year German bunds rising by around half a point and 10 year gilts up by around ⅛ of a point.

The German and French equity markets each rose by more than 1 per cent, following a 2.2 per cent increase in Tokyo's Nikkei 225 index earlier in the day. The main exception was London, where the FT-SE 100 index fell 0.6 per cent.

Durable goods orders up, Page 5; Rising yen: it was not always thus, Page 6; Summons to action, Page 15; Bonds, Page 21; Currencies, Page 42; London shares, Page 35; World stock markets, Page 46

Germany will call another summit next month if deadlock remains

EU leaders pressed to pick Delors successor

By David Gardner in Corfu

European Union leaders were under pressure last night to settle at their Greek summit the divisive issue of who should replace Mr Jacques Delors as European Commission president.

The 12 heads of government arrived in Corfu last night for the two-day summit, where chances of breaking the deadlock are generally believed to be, at best, even.

Mr Jean-Luc Dehaene, prime minister of Belgium, appeared to retain a clear lead over his main rival, Mr Ruud Lubbers, the outgoing Dutch prime minister. But the UK and Italy have still not signalled an intention to back either of them.

Chancellor Helmut Kohl warned on Wednesday that the German EU presidency would call another summit next month if the 12 failed to agree on a successor to Mr Delors during their time in Corfu.

Mr Andreas Papandreou, the Greek prime minister, tried to be positive by suggesting that "we'll do everything we can" to reach agreement: "I want to be optimistic. I think we will succeed."

Mr John Major, the British prime minister, formally backs Sir Leon Brittan, the EU trade commissioner, as an outside contender, but the UK prefers Mr Lubbers to Mr Dehaene, who is being promoted by France and Germany.

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On arriving, Mr Major said: "It is important to get the right result. Whether that will be here or not I'm not sure." He refused to comment on Mr Dehaene's candidacy.

In the UK yesterday, Ladbrokes, the bookmaker, was quoting Mr Dehaene as 1-3 (on) favourite and Mr Lubbers at 7-2. Mr Brittan was trailing on 7-1 and Mr Peter Sutherland, outgoing head of the Gatt world trade organisation, was quoted at 8-1.

The Belgian and Dutch leaders, both Christian Democrats, agreed at a meeting of EU Christian Democrat parties in Brussels on Wednesday that neither would veto the other. Both are expected to leave a dinner tonight when their colleagues try to break the deadlock.

The Netherlands intends to push hard its claim to the top Brussels job, according to Dutch officials, on the grounds that it is the only founder-member of the Euro-club not to have held the Commission presidency. It will also be argued that the Netherlands will shortly become the largest net contributor to the EU budget on a per capita basis.

The Dutch may also seek to exploit fears that France and Germany, the driving axis of the EU, are overstretching their power in trying to impose Mr Dehaene.

Mr Silvio Berlusconi, the new Italian premier, is yet to indicate his preference. He is looking to bargain for a settlement of a long-running row over Italy's flouting of EU limits on milk production, and has threatened to delay the EU budget increase planned for next year unless he is satisfied.

Pessimistic about a deal: Jacques Delors at a meeting of senior Socialists before the Corfu summit AP

Mr Delors told journalists he was pessimistic about a deal on his successor. The powerful Commission president may himself become a focus of controversy. Mr Kohl wants him to head the group of experts the Corfu summit is expected to set up to pave the way for the 1996 review of the Maastricht treaty.

Mr Delors is understood to be weighing the possibility against his prospects of running as a Socialist candidate for the French presidency next year.

After this spring's voting rights dispute between the UK and its partners, the 1996 review is expected to be as stormy as the talks leading up to Maastricht.

Kodak to sell drugs subsidiary to Sanofi for $1.68bn

By John Ridding in Paris

Sanofi, the French pharmaceuticals and cosmetics group, yesterday announced that it is to buy the prescription drugs business of Sterling Winthrop, a subsidiary of Eastman Kodak of the US, for $1.68bn. As part of the deal, Sanofi will sell its minority stake in Sterling Health Europe, which sells over-the-counter products, back to Kodak.

Mr Jean-Francois Dehecq, chairman of Sanofi, which is a subsidiary of Elf-Aquitaine, the recently privatised French oil group, described the move as a major strategic decision which would substantially strengthen the company's presence in the pharmaceuticals industry.

He said the acquisition would be financed by the sale of the group's bio-activities businesses, one of the group's principal business areas with annual sales of about FFr7bn ($1.25bn).

Mr Dehecq said the price paid for the acquisition represented a multiple of 1.4 times the sales of the businesses acquired, which was lower than other recent big acquisitions in the pharmaceuticals industry.

Sanofi's earnings per share will increase by between 10 and 15 per cent next year as a result

Continued on Page 16

Conseco forces GE Capital out of bidding for Kemper

By Richard Waters in New York

Kemper, the US insurance, fund management and stockbroking group, was on the verge yesterday of falling to a highly leveraged $3.25bn bid from a smaller US insurance concern.

GE Capital, the financial services subsidiary of General Electric which had itself offered nearly $3bn for the company, said it was dropping out of the bidding in the light of the higher offer.

Conseco, a 15-year-old company based in Carmel, Indiana, offered $67 a share in cash and securities for Kemper, topping the $60 a share all-cash offer from GE Capital.

In a move which appeared designed to throw GE off-balance, Conseco said its offer would expire on Sunday. GE's managers have been mired in recent days in the gathering crisis at its Kidder Peabody securities subsidiary, which culminated in a change in management at the firm on Wednesday. In the event, GE Capital responded to the new offer with a brief statement saying it would not submit a bid and wished Conseco and Kemper success.

Mr Stephen Hilbert, Conseco's chairman, said he had proposed a merger to Kemper a year ago, but been rebuffed at that stage. The new bid follows Kemper's move to put itself up for sale, a decision taken after it had received an unwanted approach from GE Capital.

Conseco has taken over 11 insurance companies since it was set up by Mr Hilbert in 1979 with capital of $10,000. It now manages assets of $19bn, and would control $85bn if the bid for Kemper is successful.

The scale of its acquisitions grew sharply after 1990, when Conseco set up a buy-out fund to bring in additional finance. GE Capital was one of the partners in that fund, Mr Hilbert said.

If successful in the battle for Kemper, Conseco said it would transfer the company's life assurance and real estate businesses to a new fund it has recently established. This fund has committed equity of $624m, and its two biggest investors are Conseco and Calpers, the public sector pension fund, each with $100m.

The Indiana-based company said it would pay $56 in cash for each Kemper share, together with $11 worth of its own shares, based on the closing price of $50.50 on Wednesday. It said it had obtained a commitment from Citibank for $1.22bn of senior bank finance, and a letter from Morgan Stanley expressing confidence in its ability to raise a further $750m of subordinated debt.

The acquisition, and sale of some Kemper businesses to the new buy-out fund, would leave Conseco with gearing of 47 per cent, compared with a current level of around 17 per cent, said Mr Hilbert.

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NEWS: EUROPE

THE CORFU SUMMIT

EU leaders at mercy of hijacked agenda

By Lionel Barber in Corfu

The European summit which opens today on the Greek island of Corfu will produce stunning scenery and snapshots for the photo-album.

President Boris Yeltsin of Russia has made a flying visit. The prime ministers of Austria, Sweden, Finland, and Norway will officially sign their accession treaties to the European Union. Prime Minister Silvio Berlusconi of Italy makes his first appearance at an international summit since his rightist coalition, Forza Italia, swept to power.

Mr Berlusconi is a new leader with some questionable political allies in search of respectability which the EU family offers.

The Alpine and Nordic leaders are on the brink of entry into an expanded Union of 16 members, though only Austria has passed the popular test of a referendum on membership. Mr Yeltsin, who was dining with the Twelve last night, will today sign a new "partnership" accord. Viewed alongside Moscow's agreement this week to join Nato's Partnership for Peace, the EU pact suggests that Russia is starting to find its place in a wider Europe after the collapse of the former Soviet Union.

The question is whether the Corfu summit will produce much more than a few snapshots and a siesta for the ailing Greek prime minister, Mr Andreas Papandreou. At first sight, the omens do not look especially promising.

To their dismay, EU leaders have allowed the two-day meeting to be hijacked by the struggle over the successor to Mr Jacques Delors as president of the European Commission. Efforts to cool tempers have met with limited success: but there is still no sign of Mr Jean-Luc Dehaene, the Belgian prime minister backed by France and Germany, or Mr Ruud Lubbers, the Dutch prime minister, dropping out of the race. Tonight's dinner discussion among the 12 prime ministers is sure to produce sparks.

Mr Neil Kinnock, the former **leader of the Labour party in the UK, yesterday confirmed** *at a meeting of socialist lead-* **ers in Corfu that he hopes to be appointed as Britain's second EU commissioner in Brussels from next January, writes Philip Stephens, Political Editor. His candidacy poses a dilemma for Mr John Major, the prime minister. Two years ago Mr Major bowed to pressure from right-wing MPs and rejected Mr Kinnock as the successor to Mr Bruce Millan. But a second refusal would prompt charges from the opposition that the prime minister remained in the thrall of a handful of Euro-sceptics.**

Yet it would be misleading to focus on the "horse race" to succeed Mr Delors. Several other items are on the Corfu agenda which, though they may not produce immediate decisions, are still important. Among the chief topics are:

■ The European Commission's White Paper on growth and employment. Mr Delors will urge EU leaders not to be seduced by the incipient economic recovery, but to renew efforts to improve labour market flexibility and lower employers' costs in order to tackle unemployment in Europe, nearing the 20m mark. Leaders will also discuss revised macro-economic guidelines which propose strict budget and wage discipline in order to prepare for the planned single European currency.

■ Trans-European networks. EU leaders are likely to give the go-ahead for 11 priority road and rail projects designed to improve west-east transport links. But Mr Delors is unlikely to persuade the prime ministers to approve extra funding for the projects through fresh European Commission borrowing. The UK, Germany and the Netherlands *argue that the European* Investment Bank has plenty of credit available.

■ Restructuring of the Ukrainian nuclear industry, including the closure of Chernobyl. Leaders want to prepare for a joint EU position at the G7 summit in Naples next month.

■ The 1996 inter-governmental conference to review the Maastricht treaty. Leaders are expected to set up a working group to study constitutional issues and streamlined decision-making to prepare for a Union of up to 25 members. Germany and the Benelux countries want the European Parliament to be represented in the working group; but the UK and France are opposed.

■ Italian milk. The row over the way Italy exceeds its milk production quota seems certain to resurface in Corfu. Brussels says Italy has not cut its output in line with commitments two years ago. Italy wants higher quotas and the end to UK-led court action to reverse a Commission decision to cut fines against Rome. The dispute could block an increase in EU spending on regional aid from next year.

■ Greece is likely to push for an early start to EU accession negotiations with Cyprus; but her partners seem unlikely to commit themselves to the Greek target date of January 1, 1995.

One of the least contentious items appears to a Franco-German proposition to tackle racism and xenophobia, through education programmes and cultural exchange.

The German chancellor, Mr Helmut Kohl, is keen to use the Union statement as political cover for cracking down on right-wing racism at home; but Italy may interpret the declaration as an indirect attack on neo-fascists in the Berlusconi government.

Russian President Boris Yeltsin speaking to the press after arriving in Corfu yesterday. Mr Yeltsin will today sign a partnership and co-operation agreement with the EU, forging closer ties between the two sides and offering the long-term prospect of free trade AP

Disquiet over island facelift

By Kerin Hope in Corfu and William Lewis in London

From the gleaming salmon-pink paint on Corfu's crumbling seafront mansions to roads unusually free of potholes for a Greek island, it is clear that an expensive facelift has been carried out in preparation for staging this weekend's European Union summit.

The government says it has spent Dr14bn (£36.8m) on the Corfu summit, though local officials say the bill is likely to be nearer Dr20bn.

The scale of government spending for the summit in Corfu, which receives Dr2bn a year in EU structural funds, has been criticised by left-wing Greek politicians and some EU diplomats, who argue it is too much, given Greece's position as the union's poorest member state and its high level of debt. Comparatively little EU funding has been disbursed for the summit. According to the regional government office on Corfu, the main expense is a Dr3.3bn upgrading of Corfu airport.

Mr Nikos Hytiris, in charge of EU disbursements in the Ionian islands, says: "Like other improvements carried out for the summit, it will help to boost the island's tourist industry long after the summit is forgotten."

This weekend's summit is shorter than usual, with only one formal working session of three hours, squeezed between the siesta hour and an official dinner.

The main reason for restricting official working hours is that the Greek prime minister, Mr Andreas Papandreou, who will chair the meeting, has a heart problem that requires him to rest frequently.

The Dr1.9bn being spent on renovating the 19th-century palace of St Michael & St George, formerly home to the Greek Royal Family, includes Dr160m for a temporary structure to serve as the meeting room for government leaders from the 12 EU countries and the four new member states.

Because the council chamber, constructed of metal and bullet-proof glass with a dramatic view across the Corfu strait to Albania, was built over the palace's main courtyard, it is due to be removed the day after the summit.

"The courtyard was the only space in the building big enough for a European council meeting, complete with interpreters' booths. But the state archaeological service insists it has to come down immediately afterwards," said Mr Konstantinos Kouvaras, managing director of Avax, the Greek construction company responsible for the turnkey project.

It is some consolation that the German government, which takes over the EU presidency from Greece on July 1, has offered to buy the oval conference table and chairs specially made for the meeting, he added.

The other main renovation project is the international press centre, a Dr3bn conversion of an 18th century fortress designed for a garrison considerably smaller than the 3,000-strong contingent of journalists covering the event.

Afterwards, the building will become Corfu's conference centre.

Tietmeyer defends monetary policies

By Judy Dempsey in Potsdam and Quentin Peel in Bonn

Germany's monetary policies cannot be blamed for the recent turbulence in international capital markets, Mr Hans Tietmeyer, president of the Bundesbank, said yesterday.

Speaking at the end of the regular fortnightly meeting of the Bundesbank's central council, held once a year in eastern Germany, Mr Tietmeyer also confirmed that German interest rates would remain unchanged. The discount rate and the Lombard rate were last reduced on May 11 to 4.5 per cent and 6.00 per cent respectively.

His statement coincided with warnings by both Germany's industrial federation, the BDI, and the federation of German banks, that the present economic recovery is still extremely hesitant.

The banks also warned that the flight of foreign investors from the German bond market in recent months, compounded by the high level of public sector borrowing, would maintain pressure for rising long-term interest rates. The country was now far more dependent than it used to be on foreign capital inflows, the commercial banks said. Rising capital market interest rates were inevitable, to maintain the flow of funds to finance the public sector deficit.

Mr Tietmeyer said it was the Bundesbank's role to provide a stable background for financial transactions. "Market players must make their own decisions about how to react to developments," adding that volatility in the bond markets appeared to have calmed in recent days.

On the money supply question, Mr Otmar Issing, Bundesbank chief economist, described recent M3 data as "better but still not good enough." The Bundesbank would undertake its routine mid-year review of money supply policy and will decide at the July 21 council meeting what strategy to follow in the second half, he said.

Money supply grew at a lower-than-expected annual rate of 13.7 per cent in May, down from 15.4 per cent in April. But economists said there was no chance the Bundesbank would meet its 4-6 per cent target for M3 growth for the year.

On a brighter note, Mr Tietmeyer said the economy of eastern Germany is showing gradual signs of growth but warned that the high level of financial transfers to the region would have to continue "for some time." He insisted that the transfers from western Germany to the east, which last year totalled DM140bn (£56bn), must be used "for purposes of investment."

Several indicators pointed to a slow recovery in the east, he said. These included inflation which had "approached to a large extent" west German levels. Last month, eastern German inflation was 3.4 per cent compared to 3.0 per cent in western Germany. In addition, the rate of unemployment is slowing down, and the number employed would probably "stabilise" at around 6m - compared with almost 10m before unification.

In west Germany, the BDI warned that a continuing squeeze on disposable incomes would mean that private households would be hard pressed to maintain their level of consumption in the coming months.

"In view of the declining savings quota, which has been sinking for four years, and the continuing decline in employment, the room for manoeuvre will remain very narrow," the BDI concluded.

French recovery 'slow and uneven'

By John Ridding in Paris

The French economy is showing signs of improvement, but recovery from recession remains slow, partial and fragile, says the Patronat, France's employers' association.

Mr Ernest-Antoine Seillière, vice-president of the Patronat, said that while the French economy had moved from a period of contraction to growth of 0.5 per cent in the first quarter of the year, a survey of industrial federations and management unions belonging to the employers' association revealed concerns about the strength and composition of recovery.

According to Mr Seillière, a significant minority of companies believed that the economy was still in a phase of stagnation in the first quarter. Most thought the situation was showing improvement in the second quarter, but 71 per cent felt that recovery would be modest. Overall, 65 per cent of companies said they believed the economy was in a phase of fragile recovery while 30 per cent said they did not yet see any recovery.

The survey also revealed an uneven pattern of performance across France's industrial sectors. Basic industries including chemicals, paper, metals and steel had seen some improvement. But manufacturers of capital equipment sector continued to suffer persistent weakness of demand.

Consumer goods industries, excluding the automobile sector which has benefited from stimulatory government measures, have suffered from a weakness in household spending. Textile companies, however, have partly compensated for this by improved exports.

Faced with the uncertain outlook, the *Patronat urged* support France's economic recovery. These include *increased financial support* and credits for exporters, funding for trade promotion in overseas markets, assistance for small and medium-sized companies facing financial difficulties and tax incentives to revive investment.

According to the Patronat, measures to support investment are increasingly important because of the upward pressure on long-term interest rates resulting from the falls in the bond market.

Appointment of minister as new governor raises suspicion

Portugal replaces bank chief

By Peter Wise in Lisbon

The governor of the Bank of Portugal was yesterday replaced with a junior government minister, casting doubt on the central bank's independence and the future of monetary policy.

Mr Aníbal Cavaco Silva, the prime minister, accepted the resignation of Mr Miguel Beleza and replaced him with Mr António de Sousa, who was secretary of state for finance. The resignations of two vice-governors and a director of the bank were also accepted.

Mr Beleza, a former finance minister in the centre-right government, had directed a firm defence of the exchange-rate stability of the escudo since he was appointed governor of the central bank in March 1992. But his policy began to be undermined by a government pressing for lower interest rates to help stimulate recovery from recession.

Although the government has expressed support for a stable escudo, Mr Beleza's resignation had been expected as a result of growing tension over monetary policy between the central bank and the government and within the Bank of Portugal itself.

Prime Minister Cavaco Silva: at odds with central bank policy

Over the past three months, the apparent contradiction between the government's commitment to both a firm currency and lower interest rates has led to a wave of attacks against the escudo by speculators expecting a realignment of the currency.

Contrary to the prime minister's forecast in April that Portugal's main money market rates would fall two points this year, Mr Beleza's defence of the currency has forced rates up several points and banks have raised their lending rates.

Earlier this week, Mr Cavaco Silva strongly defended the stability of the escudo and said the speculators would be beaten. Mr João Costa Pinto, one of the new vice-governors of the Bank of Portugal, said yesterday that nothing would change in regard to the bank's exchange rate policy.

But Mr de Sousa, who has been in charge of Portugal's privatisation programme and is a close ally of the prime minister, is widely known to support lower interest rates. The incompatibility of this position with a commitment to maintaining exchange rate stability caused uncertainty on Portugal's foreign exchange and money markets yesterday.

The escudo strengthened to Es103.4 to the D-Mark from 103.6 on Wednesday after the central bank intervened by buying escudos at 103.5 and 103.6. "We expect Mr de Sousa will allow the escudo to slip a little despite the government's statements," said Mr Rui Ferreira, a director of Banco Finantia. Mr António Borges, a former vice-governor of the Bank of Portugal, who resigned last year because of disagreements with the government, said yesterday that the appointment of the new governor would clearly strengthen government influence over the central bank.

Mr Borges joined opposition parties in saying the government was reversing a long process of increasing the bank's independence and was at odds with European Union efforts to diminish government influence over central banks.

German-Dutch steelmakers in aid challenge

By Emma Tucker in Brussels, Quentin Peel in Bonn and Andrew Baxter in London

Leading German and Dutch steel producers said yesterday they would go ahead this week with a European Court challenge to the Brussels decision to approve state subsidies for Ilva, the Italian state steel producer.

The German Steel Federation, with Preussag Stahl, Thyssen Stahl and Hoogovens, the Dutch steelmaker, will be backing similar complaints at the Luxembourg court by British Steel, EISA, the European independent steel manufacturers, and Denmark's Det Danske Stalvalsevaerk.

The steel federation said yesterday the massive subsidies to the loss-making Italian state concern were causing substantial damage to private manufacturers in all member states.

"It is illegal, because it is not compatible with the steel subsidy code," it added. "There is no room for an exception to be declared. Moreover the European Commission has not demanded any adequate compensation in terms of an appropriate reduction of capacity."

Along with CSI of Spain, Ilva received the lion's share of Ecu7bn (£5.4bn) of aid approved by EU industry ministers in December. The Commission says it has acted legally under Article 95 of the European Coal and Steel treaty, which allows state aid to be paid to steel companies, but only with the unanimous consent of the Council of Ministers. "The decision to allow these subsidies to be paid was taken with the full backing of all the member states," said a Commission spokesman.

The German federation argues that approval of any further subsidies is permissible only in terms of the subsidy code if it does not lead to any distortion of competition.

It is understood British Steel will start its action against the subsidies to Ilva and CSI today. The UK steelmaker said this week the Commission should not have applied Article 95 in these cases.

Instead, it said, the Commission should have insisted on "the full and proper enforcement" of the steel aid code.

Separately, Brussels will open an investigation into German government aid paid to Ekostahl, the German steelmaker, following the decision by Riva, the private Italian steel company, not to buy east Germany's largest steel mill.

The commission is concerned that capital injections to Ekostahl, via the state run Treuhand privatisation agency, contravene EU rules on state aid.

Jobs warning to the Netherlands

By Ronald van de Krol in Amsterdam

The next Dutch government must seize the opportunity of *a mild economic recovery to* reform the Netherlands' rigid labour market, the Organisation for Economic Co-operation and Development said in its survey published yesterday.

The country's labour market is "unquestionably the weak spot of an otherwise fundamentally healthy economy", according to the OECD.

It said incentives to find work were low in the Netherlands, reflecting the traditional generosity of the welfare state system. Other problems identified by the OECD were high Dutch labour costs, stiff job protection laws and *wage-setting* by economic sector which prevents prospective employees from "bidding" *for lower wages.*

"On balance, employment protection legislation seems to be detrimental to employment," it said.

The OECD, noting that growth of gross domestic product is projected to rise to 2.75 per cent next year, said: "The challenge to the next government is to seize this opportunity, relying on the many strengths of the Dutch economy and society, and to move towards major reforms now, rather than only if and when *it is faced with the threat of* an impending crisis."

OECD urges Spanish reform

By David White in Madrid

Spain should move faster on privatisation and deregulation of state monopolies to increase competition in services and utilities, the Organisation for Economic Co-operation and *Development said in a report* released yesterday.

It also called for tighter control *over regional government* spending, state company management, social security abuse and and tax evasion. It said the government could reform some welfare schemes "to concentrate benefits on the really needy".

The encouragement given by the OECD to the government to press ahead with structural reforms and a tight budget stance coincides with pressure from hardline factions in the ruling Spanish Socialist party for a shift towards more left-wing policies following the Socialists' European election defeat.

The OECD said legislation to increase labour market flexibility, which came into force this month, was "a landmark for Spain" which would help lay the ground for sustainable growth.

However, the OECD it complained of "hesitancy" in other areas where deregulation was urgently needed, such as telecommunications.

In spite of a restrictive 1994 budget, the OECD said greater efforts were needed to meet EU public deficit targets set out in the Maastricht treaty. It forecast that Spain's general government deficit this year would remain at slightly above 7 per cent of gross domestic product. However, the Economy Ministry said it still hoped to bring the deficit down below this level.

The greatest contrast between the OECD and Spanish government views was over the outlook for employment.

Predicting economic growth of 1.2 per cent for the year, following last year's negative rate of 1 per cent, the OECD *warned that Spain would* probably have to wait until next year to see a fall in unemployment and that the rate, currently close to 25 per cent, was "unlikely to decline significantly before 1996".

It predicted a further 1.2 per cent shrinkage in employment this year – about 140,000 jobs – although new apprenticeship contracts would help stem the fall.

The Economy Ministry described this forecast as "excessive", predicing a reduction closer to 0.7 per cent and "a slight improvement" in the jobless rate by the end of the year.

For 1995, the OECD expected Spanish growth to be 2.7 per cent.

However, it warned that even with 3 per cent annual growth rates in the late 1990s, new jobs would be created only slightly faster than the expansion of the labour force.

"The fall in unemployment may be small," it said.

The OECD's expectations for inflation were broadly in line with the government's at 3.5-4 per cent from December to December, against 4.9 per cent last year.

However, a report by Spain's Institute of Economic Studies said 4.5 per cent was more likely.

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EUROPEAN NEWS DIGEST

Moscow wins new loans to help economy

Russian Prime Minister Victor Chernomyrdin yesterday ended meetings in Washington with $820m in new loan commitments from the World Bank, $400m in equity funds from the US Overseas Private Investment Corporation (Opic) and numerous smaller deals and joint ventures designed to assist the restructuring of the Russian economy.

Two of the World Bank loans, for $240 and $80m, will support farm and land reform, respectively. This is the bank's first attempt to help Russia lay a foundation for private agriculture. A $200m World Bank loan will help improve private banking services, promote banking stability and help mobilise resources and credit allocation. A $300m loan is to upgrade deteriorating roads. The bank's total commitments to Russia will be around $1.5bn by June 30.

Opic announced support for construction of a generic drug manufacturing facility in Russia. On Wednesday it pledged $200 in risk insurance for a US-Russian-German joint venture to redesign and improve the commercial aviation engine used in Russian-made aircraft.

Warning on Bosnia peace plan

Bosnian government forces yesterday pressed forward against rebel troops in the north-west, amid warnings by international mediators that the warring parties would face serious consequences if they failed to back a last-ditch peace plan. With remote hope that Bosnia's warring leaders will endorse the newest peace plan, Mr Vitaly Churkin, Russia's special envoy to former Yugoslavia, appeared pessimistic, calling it the "last chance to come to an agreement". His US counterpart, Mr Charles Redman, on a diplomatic shuttle last weekend tried to convince Moslem and Croat leaders to back the plan, devised by the so-called contact group, composed of representatives from the US, Russia, Germany, Britain and France.

In Washington, defence ministry officials from four European countries warned the Senate Armed Services Committee that a unilateral lifting by the US of the arms embargo against Bosnia would result in "war, interruption of humanitarian assistance and the prevention of reconstruction."
Laura Silber, Belgrade

German strikers offer truce

Leaders of Germany's postal and telecommunications workers yesterday offered to suspend their campaign of token strikes, as the danger of political deadlock over the country's privatisation programme for Deutsche Telekom and the postal service loomed closer. The unions want to accelerate negotiations with their employers to determine post-privatisation deals for workers' participation in management and social benefits. They claim the employers are deliberately dragging out the talks to raise the political pressure for a solution, because the Bundestag has to approve the draft privatisation law by next Wednesday if it is to come into effect this year.

The law requires the approval of the opposition Social Democratic Party (SPD) as well as the ruling coalition to change the status of the postal service in the German constitution, but yesterday SPD deputies abstained when it went through committee because of continuing concern at the unresolved labour talks. *Quentin Peel, Bonn*

Italian pension cost rises

The cost to the Italian state of the constitutional court decision on pensions arrears is still growing, according to the head of the INPS, which manages the country's state pension system. Italian press agencies reported yesterday that Mr Mario Colombo, INPS chairman, had estimated the pensions "hole" at L32,500bn (£13.5bn) after capital revaluation and interest charges are taken into account and said it was still growing. Mr Colombo cited the figure at a meeting yesterday of the labour committee of the Italian parliament's upper house.

The Italian constitutional court ruled two weeks ago that the government should make up the difference between reduced benefits and full pension entitlements, allegedly denied to as many as 600,000 pensioners since 1983. At the time, following meetings with Mr Colombo, Mr Clemente Mastella, the labour minister, said the hole was at least L30,000bn.
Andrew Hill, Rome

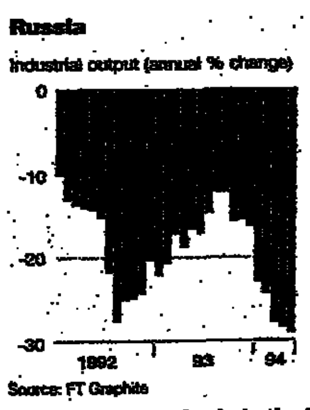
Political challenge in Bucharest

Romania's main centre-right opposition parties have lodged a no-confidence motion in the country's minority left-wing government. The opposition said it was bringing the motion because the government's economic polices had failed, it had violated the constitution and many of its members were corrupt. The Democratic Agrarian Party, one of four small parties with a pivotal position in the country's hung parliament, said it would support the motion, which is expected to be voted on next Thursday.

Until now, the ruling Party of Social Democracy has relied on the DAP, a centre-left party supported by farmers, and the three other parties, for a slim parliamentary majority. It is the fifth no confidence motion the opposition has lodged since the PSD won elections in September 1992. The motion last December failed by just 13 votes. But since then the government has secured $1bn in new loans from the International Monetary Fund and other official lenders, inflation has halved and the economy begun to stabilise. *Virginia Marsh, Bucharest*

ECONOMIC WATCH

Sharp fall in Russian output



Source: FT Graphite

Russian industrial output in May was 29 per cent below the level of a year ago, according to figures from the state statistics committee. January-May output was 25.9 per cent below the same period last year. The statistics committee said one quarter of small and medium-sized enterprises had closed at least one production line or stopped one shift in May because there was no demand for their products. Production of some goods, including some drilling machines, some computers and some types of road building equipment, had been stopped completely in the first five months. The statistics office said the fall was sharpest in the machine building sector where January-May output was 45 per cent below levels a year ago. Light industry output was down 35 per cent. However, some officials say Russian statistics are unreliable. The statistics committee only appointed people to monitor the emerging private sector late last year and official data takes little account of the activities of private companies. *Reuter, Moscow.*

■ Swedish industrial capacity utilisation grew by 1.3 per cent in the first three months over the previous quarter to reach 85.9 per cent, underscoring a sharp upturn in industrial output as the country emerges from a three-year recession. Industrial output grew 10.6 per cent in the year to the end of April, mainly thanks to sharp export growth, the central statistics bureau said.

■ Finland's gross domestic product rose 1.6 per cent year-on-year in the first quarter compared with a 4 per cent fall in the first quarter of 1993, Statistics Finland said yesterday. Finnish industrial production volume rose 9.8 per cent year-on-year in the first quarter of 1994 compared with a 2.0 per cent year-on-year rise in January-March last year.

■ The Dutch trade surplus narrowed to Fl 1.6bn (£571m) in February from Fl 1.9bn in January, the statistics bureau said.

Day of judgment for the CDU

Judy Dempsey reports on an east German test for Chancellor Kohl

Mr Theodor Lühr, a senior official at Saxony-Anhalt's economics ministry, was sitting in a sparsely decorated small office in the government complex on the outskirts of Magdeburg, the state capital. "What I worry about most is that when people vote in the elections, they will forget what it was like before 1989," he said.

Like many other officials, he has no idea if the governing Christian Democrats (CDU)/Free Democrats (FDP) coalition will be returned to power on Sunday when the first of the eastern states goes to the elections.

During the last state elections in Saxony-Anhalt in October 1990, the CDU received 39 per cent of the vote and the FDP 13.5 per cent. The Social Democrats (SPD) polled 26 per cent.

In the local elections earlier this month, seen as the most reliable barometer, the CDU's support slipped to 31.1 per cent, the SPD's rose to 29.7, the FDP fell to 7.9 per cent, and the reformed communists, the Party of Democratic Socialism (PDS), rose to 18.2 per cent.

Before German unification, the Stasi, or state security police, had occupied the grey, dull government buildings. One could hardly see out of the windows, or dared to open them. The air was stinking – thick and poisoned from pollution emanating from the chemical works, the mainstay of the Saxony-Anhalt economy. Four years later, the stench has gone; the air is clear. "People forget those smells," said Mr Lühr.

'Our economic policy was based on one principle. We had to break the east's monolithic structure through privatisation, diversification, and investments'

"I also remember when I moved into these offices in late 1990, we only had three senior people to dismantle this huge centralised economy. Our economic policy was based on one principle. We had to break the monolithic structure through privatisation, diversification, and investments," he added. Since then, more than DM2.5bn (£1bn) has been spent on upgrading the streets and roads.

Another DM4bn has been spent on modernising the archaic telephone system. An additional DM12bn has been poured into restructuring the chemical industry. But the CDU has found it difficult to get its economic message across.

"People don't think about the long-term impact of the investments. They think about jobs and the high level of unemployment. "This is the price we have had to pay to dismantle this wasteful and inefficient economic structure," said Mr Lühr.

The SPD has latched on to unemployment in the belief that the party will woo away voters from the CDU – and the PDS. Excluding those on job creation schemes and short-time work, Saxony-Anhalt's unemployment rate is more than 17 per cent, higher than the average in the other eastern states which is now 15.5 per cent. But as Mr Lühr argues, the unemployment rate is one of the highest because the state's manufacturing and chemical industry was one of the most inefficient and overmanned. But the SPD's ability to exploit the unemployment issue is handicapped by its weak party organisation, and the increasing popularity of the PDS, both factors which could be to the CDU's advantage.

Unlike the CDU, FDP and PDS, the SPD in eastern Germany had no communist-sanctioned "bloc party" before unification. "We had to start completely from scratch," said Ms Sabine Kaspereit, the SPD mayor of the small town of Wengelsdorf, who is running for the Bundestag next October.

"We only have about 6,000 SPD members, whereas the PDS inherited all the Communist party organisations and structures.

"The other parties could rely on a local network as well. We started from zero."

The other problem facing the SPD is its image. "We told Mr Scharping he was colourless and that he had to have strong policies with which the easterners could identify, otherwise the PDS would drain votes away from us," said Ms Edith Braun, the SPD mayor from Stendal.

Many SPD officials admit that the worthy and respected Mr Reinhard Höppner, the party's leading candidate in Sunday's election, is no match for the charismatic Mr Gregor Gysi, the PDS's most prominent politician.

Yet Mr Christoph Bergner, the CDU prime minister, cannot rely on a split vote in the left for the coalition to be returned to power. Although the CDU is gaining in popularity in Saxony-Anhalt, the party has to do far better than the recent local election results because the FDP is doing so badly.

Part of the reason is the spate of corruption scandals in the government. Another reason is that the FDP relied on the personality of Mr Hans-Dietrich Genscher, the former foreign minister who was born in Halle, the state's second largest city, to attract support.

But now, similar to the SPD, Mr Klaus Kinkel, the FDP's leader and foreign minister, is considered dull and ineffectual.

"We are clinging onto power. The outcome might be a grand coalition," said Mr Helmut Starauschek of the economic ministry. Sunday's outcome will show whether Chancellor Helmut Kohl's policies in eastern Germany will be vindicated, or Mr Rudolf Scharping, head of the SPD, can make the vital breakthrough needed to dislodge the CDU, he says.

Berlin avoids early poll

By Judy Dempsey in Berlin

Berlin's coalition government yesterday averted early elections after reaching a compromise about the future of the city's senator for interior affairs.

Deputies from the Social Democratic party (SPD), the former communist Party of Democratic Socialism, and the Bündnis 90 environmental party had demanded the resignation of Mr Dieter Heckelmann, the interior senator, after it was disclosed his press spokesman had ties to a far right group of intellectuals known as the Tuesday Circle.

But Mr Eberhard Diepgen, the Christian Democrat mayor of Berlin, and Mr Ditmar Staffelt, head of the SPD, had threatened to call elections, probably for October, if a no-confidence vote was called in the senate. The prospect of early elections worried both parties which are concerned about their popularity.

Rather than go to the polls, the CDU and SPD agreed that Mr Heckelmann need not resign, but at the same time he can no longer have responsibility for protection of the constitution, a brief normally held by the interior ministry.

All things not being equal in Canada . . .

. . . . means that a country with negative inflation has had to raise interest rates, writes **Bernard Simon**

Canada has notched up two very different records in economic performance over the past few days.

Statistics Canada announced late last week that, alone among industrial countries, inflation had disappeared. The Bank of Canada's dogged six-year battle against inflation, reinforced by cuts in tobacco taxes, was rewarded with a 0.2 per cent drop in consumer prices in the year to May.

At the same time however, Canadians are reeling from some of the industrial world's steepest jumps in interest rates. The Bank of Canada's trend-setting Bank rate has climbed from a 30-year low of 3.87 per cent in early February to 7.09 per cent this week. Commercial banks this week lifted their prime lending rate to 8 per cent.

Towering real interest rates have raised fears that the economic recovery, which seemed to be gaining strength from a fragile start, could be in jeopardy. The Toronto stock exchange's TSE-300 index hit its lowest level of the year on Tuesday, 22 per cent below its peak last March.

The prospect of sharply higher debt-service payments also risks undermining a recent drive by the federal government and the 10 provinces to contain their budget deficits.

The federal government last February projected a drop in its deficit to C$39.7bn (£18.8bn) in the year to March 31 1995 from C$45.7bn last year. But the estimate was based on a long-term bond rate of 6.1 per cent, far below the current yield of 9.5 per cent.

It is paying for fiscal laxity and political uncertainty

Finance department officials have warned their minister Mr Paul Martin that his budget projections are being derailed. But Mr Martin, whose relationship with his senior civil servants is said to be cool, is confident that the aberration will turn out to be temporary.

"As economists are wont to put it: if everything else is unchanged, lower inflation will bring about lower interest rates," says Bank of Montreal chief economist Mr Lloyd Atkinson. "But not everything remained unchanged."

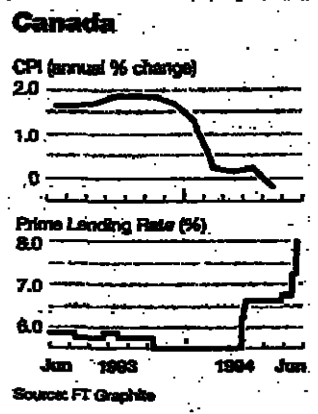
Canada has been side-swiped by the upheaval in global markets since the US Federal Reserve began tightening monetary policy in February. The bond market, like that in the US, has suffered from the scare caused by higher oil, wheat, copper and other commodity prices.

But Canada is also paying an extra price for fiscal laxity and political uncertainty. As one commentator noted in yesterday's Globe and Mail newspaper: "If high rates are justified in Germany and higher rates are justified in the US, then especially high rates are going to be visited upon profligate, politically divided Canada."

The federal government and the 10 provinces have amassed a mountain of public sector debt over the past decade. Their combined debt burden has ballooned in the past 12 years from 43 per cent to 97 per cent of gross domestic product. The ratio is set to rise to 108 per cent in 1997, even if governments achieve the deficit-cutting targets they have set themselves.

The jitters are reflected in a widening spread between yields on Canadian and US government long bonds. The gap has grown from less than 1 percentage point in February, when it looked as if Ottawa's success in curbing inflation might bring Canadian interest rates down to US levels, to 2.1 percentage points.

On the political front, nervousness is again rising as the debate over Quebec's future moves to centre stage before elections in the francophone province this autumn. The uncertainty is reflected in the gap between yields on long-term bonds issued by Quebec and neighbouring Ontario, which has widened by one-fifth of a percentage point since the end of April.



Source: FT Graphite

The separatist Parti Québécois, which has pledged to call an independence referendum within a year of taking office, is well ahead in public opinion polls. PQ leader Mr Jacques Parizeau did not endear himself to the investment community with threats earlier this month that a PQ government might cut off business with banks and securities dealers that publicise the potential costs of independence.

But the turmoil in financial markets has given the federalist side some badly-needed ammunition. Mr Jean Chrétien, the prime minister, assured parliament on Tuesday that interest rates would drop if the ruling Liberals were re-elected. Few economists would disagree.

Another consolation for the Liberals is that their leader Mr Daniel Johnson remains personally more popular than Mr Parizeau.

For the time being however, in Mr Atkinson's words, "there is ample reason to believe that the air will be filled with uncertainty for months to come – an outcome that is likely to produce not only a lot of volatility potentially, but much higher interest rates on average than would otherwise be the case."

The ups and downs have been amplified by the rising involvement of foreign investors, estimated to hold almost half Canada's total debt. Their view that Canada is a potentially high-yielding but fickle investment is likely to make for roller-coaster markets.

Venezuela's currency falls

By Joseph Mann in Caracas

Venezuela's currency, the bolivar, has fallen sharply this week, amid public concern over the government's handling of the country's banking crisis and rising fears of exchange controls or other dramatic government action.

Strong purchases of dollars drove the bolivar to 200 per dollar at midday yesterday in Caracas commercial banks, a 10.5 per cent devaluation since the beginning of the week. The bolivar has fallen by 47 per cent since the end of 1993.

Demand for dollars has been intensified by delay in the reopening of seven commercial banks and a commercial finance company closed by the government on June 14.

Government officials have made contradictory public statements as to when the affected banks would reopen and how much money each depositor would receive.

Three banks in which the government has intervened, Amazonas, Bancur and La Guaira, reopened yesterday, behind schedule, to begin paying depositors up to $500 (£330) each.

But it is not clear if individual depositors will eventually be paid a maximum of 4m bolivars (about £14,300) as stipulated by current legislation, or double that, as suggested by one government official. The banks subject to intervention held in all about $2.6bn in public deposits as of May 30.

In May, the government reportedly came close to applying foreign exchange controls amid heavy buying of dollars following the abrupt resignation of Mrs Ruth de Krivoy as central bank president in April. Fears have risen that the government may again be considering this strategy.

The central bank has not released figures on its international monetary reserves since April, but the country's reserves fell by 14 per cent, or $1.7bn, during first quarter of this year.

WORLD CUP

'Miracle on grass' as US beats sluggish Colombia

By Patrick Harverson in New York

"I don't believe in miracles," said US coach Bora Milutinovic after his team's stunning 2-1 victory over Colombia in Group A of the World Cup on Wednesday night.

Milutinovic aside, anyone else involved in US soccer probably does believe in the miraculous after the national team trampled over one of the pre-tournament favourites at the Rose Bowl in Pasadena. The defeat of the Colombians ranks with 1980's "Miracle on Ice" – the US ice hockey team's win over the Soviet Union in the Lake Placid Winter Olympics – as the most remarkable feat in US team sports history.

History, however, will have to wait for now, because the greatest impact of the US triumph is that it virtually assures the team's progression into the second round. The Americans' present four-point tally looks sufficient to take them through, even with one game left (against Romania on Sunday).

The tournament's organisers were jubilant at the US team's feat. Jim Trecker, spokesman for World Cup 1994, said yesterday: "The World Cup's already been a great success, and the US reaching the second round can only add to that."

The 2-1 defeat of Colombia was extraordinary as much for its manner as for the result. Although the home team opened the scoring after 35 minutes courtesy of a freak own-goal by Colombian defender Andres Escobar, they dominated the rest of the match with sturdy, patient defending and lightning-quick attacks.

One of these attacks produced the second and clinching goal in the 52nd minute when striker Ernie Stewart ran on to Tab Ramos's perfectly flighted pass to lift the ball past the on-coming (and already notorious) Colombian 'keeper, Oscar Cordoba.

But the US were denied the perfect finale when Marcelo Balboa's spectacular overhead kick flew only inches wide with Cordoba frozen on his line.

Stars judged by their on-field feats

The tournament's dominant personalities are beginning to emerge, writes **Jurek Martin** in Washington

The name on America's lips this week is OJ Simpson, the former gridiron star accused of murdering his former wife and her male acquaintance. It is impossible to turn on the TV or open a newspaper without hearing or reading someone pontificating on this great national "tragedy."

On the one hand, the vox pop generally speaks of its "love" for OJ and its disbelief that he could have committed such a crime. On the other, the pundits pronounce – as, typically, did Anna Quindlen in a *New York Times* column headlined "Remember Nicole Simpson" – that "this is not the story of a fallen idol" but of a man who went beyond wife-beating, bad enough, to murder. Throw in some media angst about overkill and the cup of talk shows is filled to overflowing.

The great blessing for the soccer stars gathered here for the World Cup is that all, except possibly Argentina's Diego Maradona, are closed books to Americans. Profiles delve into Jürgen Klinsmann's engaging wanderlust, which the German likes to exercise in this country, or Roberto Baggio's un-Italian Buddhism, but they are really only the coloured wallpaper behind the reality that, for 31 days and assuming they do nothing egregious, the players are going to be judged only by how they perform on the field.

So, after nearly a week, the question logically arises: who are really stamping themselves on the cup, rather than the opposition's calves, who have egg on their faces, and on whom is the jury still out?

The simplest criterion is goals. By that yardstick, the star so far is Gabriel Batistuta of Argentina. With a hat-trick against Greece, he looked fast and incisive, though no more so than his team-mate Claudio Caniggia, of the stringy hair, who failed to score.

But both of them – and Maradona, who scored and had a half-way decent game – were up against the poorest team yet seen, whose coach afterwards complained that his players were more interested in being photographed with Maradona than actually competing with him.

Four players have two goals – Klinsmann, Juan Andoni Goicoechia of Spain, and Gheorghe Hagi and Florin Raducioiu of Romania. All have benefitted from goalkeeping mistakes, with the Spaniard freely admitting that his goal against Germany was unintentional, a slightly mis-hit cross ending in the net courtesy of Bodo Illgner's leaden-footed miscalculation. But Raducioiu, who could easily have had two more against Switzerland but for fine goalkeeping, has looked a complete attacker.

Klinsmann has been sharp in two games as well, capable of sprinting past defenders on either side. He also falls more dramatically than any other player yet observed, which is saying something since just about everybody here is capable of scoring 5.8 for artistic interpretation.

Other strikers who have looked the part and found the net once include Rashidi Yekini of Nigeria and Francois Omam-Biyik of Cameroon, confirming all the good impressions he made four years ago in Italy. Both are big, strong and direct, but leavened with finesse.

Brazil's Romario, who scored once and won a penalty, and Bebeto (conveniently No's 7 and 11 for Americans weaned on convenience stores) are small, quick and dangerous, with excellent rapport.

Lothar Matthäus, the German sweeper and captain, has chosen so far to play his cards close to the chest, as have, mostly, his team. His speed is ample to vacuum up any defensive problems, but the lacerating long passes and rapid forward rushes in two games can pretty much be counted on the fingers of one hand. He is not yet playing as Franz Beckenbauer once did, but then he has not needed to.

Rai, the more ponderous but still elegant Brazilian mid-fielder, and Hagi consider themselves mid-field artists who play far enough forward to create and score goals, which both have.

Hagi, though, can disappear from games, as in the second half against Switzerland, while Carlos Valderrama, the Colombian engine room, is firing on even fewer cylinders than four years ago.

The virtues of more conventional hard-running counter-attack from mid-field have been amply displayed by Andy Townsend and Ray Houghton for Ireland, John Harkes for the US, and, best of all, Alain Sutter of Switzerland.

Wim Jonk and Ronald Koeman of Holland have different sorts of calling cards: hard-nosed defence mixed with thunderous shots from way beyond the dyke. Jonk's strike from a good 30 yards against Saudi Arabia ranks as the most spectacular (*a la* Sir Robert Charlton) goal of the tournament to date, but Koeman could match it if he sets his range-finder right.

Goalkeepers have experienced mixed fortunes. There have been fine saves a-plenty, none greater than Michel Preud'homme of Belgium palming a close Moroccan header on to his crossbar, Erik Thorstvedt of Norway and Spurs at full stretch to deny an inter-continental Mexican missile, and Dmitri Kharin of Russia and Chelsea, beleaguered all day by a magical Brazil, incredibly flicking a short-range certainty over the top.


Romanian midfielder Gheorghe Hagi is stopped in his tracks by Switzerland's Stéphane Chapuisat during Wednesday's game Picture: AP

But there have been horrors from the last line of defence, too. It is indecent in a family newspaper to identify offenders by name, but the 'keepers from Colombia, Bolivia, Saudi Arabia, Greece and Germany (all right, the German's name is Illgner, heretofore mentioned) have all cost their sides a point or two or three. (In fairness, some of them, like the Saudi Al Deayea, had done yeoman duty beforehand).

But all their glories and mistakes still remain ephemeral, because all have played only one game or two. They can all improve or recover or flatter only to deceive (there's a cliché for the ages). It will take a much larger hand – of God or a jury – and far more time for OJ Simpson to disappear from the national consciousness.

Ireland aim to conquer Mexico and midday heat

After their dour win against Italy, Ireland play Mexico in Orlando today in Group E, the World Cup's toughest first-round group – and are spoiling for an early entry into the second round.

Ireland's coach Jack Charlton is counting on his players to pressure the Mexican defence and its 5ft 9in goalie, Jorge Campos, and hoping that Irish stamina does not wilt under the midday sun. In turn, Mexico is set to boost its attack with added speed and skills.

"They live in this kind of heat, we don't," said Charlton of the Mexicans, wondering about today's game-time temperature. During the first World Cup game at the Citrus Bowl, Orlando, last Sunday, it peaked at 109°F (43°C) on the pitch itself.

"This match is a great incentive to qualify and top our group," said Charlton. That would mean Ireland would play in New Jersey in the second round, with overwhelming local support.

Charlton said the Mexicans needed a win today to stay in the tournament. Mexican coach Miguel Mejia Baron said: "We will try to be more offensive, more aggressive on the attack. The way they are going to play is just wait for counter-attacks. They'll try to take advantage of mistakes."

After the loss to Norway, Baron is expected to bring on Alberto Garcia Aspe. The mid-field star was suspended for the first game. "He will be of great help," said captain Ignacio Ambriz. Garcia Aspe is known for pin-point passing and a lethal left-foot shot.

Baron could also call on striker Carlos Hermosillo, a veteran from the 1986 World Cup team, when Mexico reached the quarter-finals.

Ireland will count on their traditional game of long passes, crosses and headers to pressure the comparatively small Mexican defence. But Tony Cascarino will not be in the Irish side. The striker ruled himself out because of a calf muscle injury.

Charlton is hoping that Tommy Coyne can take the heat. Coyne suffered from severe dehydration against Italy.

■ Standings

GROUP A	P	W	D	L	Pts
Switzerland	2	1	1	0	4
USA	2	1	1	0	4
Romania	2	1	0	1	3
Colombia	2	0	0	2	0
GROUP B	**P**	**W**	**D**	**L**	**Pts**
Brazil	1	1	0	0	3
Cameroon	1	0	1	0	1
Sweden	1	0	1	0	1
Russia	1	0	0	1	0
GROUP C	**P**	**W**	**D**	**L**	**Pts**
Germany	2	1	1	0	4
Spain	2	0	2	0	2
S.Korea	1	0	1	0	1
Bolivia	1	0	0	1	0
GROUP D	**P**	**W**	**D**	**L**	**Pts**
Argentina	1	1	0	0	3
Nigeria	1	1	0	0	3
Bulgaria	1	0	0	1	0
Greece	1	0	0	1	0
GROUP E	**P**	**W**	**D**	**L**	**Pts**
Ireland	1	1	0	0	3
Norway	1	1	0	0	3
Italy	1	0	0	1	0
Mexico	1	0	0	1	0
GROUP F	**P**	**W**	**D**	**L**	**Pts**
Holland	1	1	0	0	3
Belgium	1	1	0	0	3
Saudi Arabia	1	0	0	1	0
Morocco	1	0	0	1	0

■ Today's games

GROUP B
Brazil vs Cameroon
San Francisco (9:00 pm BST)
Sweden vs Russia
Detroit (12:30 am Sat. BST)
GROUP E
Mexico vs Ireland
Orlando (5:30 pm BST)

Shipyard workers vote for strike

Workers at the world's largest shipyard voted to strike for three hours during the telecast early today of South Korea's match against Bolivia. Workers at Hyundai Heavy Industries, near Seoul, voted nearly 2 to 1 for the strike.

Company officials said the strike was so that 22,000 workers could watch the game live. The union disagreed, claiming that the strike supported demands for a 13 per cent wage raise.

Brazil favourites to lift fourth title

Big money is still piling on to Brazil to capture a record fourth World Cup title, and the odds against the US have fallen sharply.

Ladbroke, the UK betting leader, quotes Brazil as 9-4 favourite to win the cup on July 17. Germany are 3-1, Italy 7-1, Argentina 8-1 and Holland 9-1. Odds against the US have collapsed from 125-1 to 40-1, and Ireland are 16-1, alongside Spain, Nigeria and Norway. Colombia have been pushed from 18-1 to a derisory 150-1.

Latin America: chance to break the cycle of sorrow

Stephen Fidler on prospects after action on budget deficits, protectionism and the role of government

THE NEW ECONOMIC ORDER

The World Bank's chief Latin American economist, Mr Sebastian Edwards, likens the region's economic history to Gabriel Garcia Marquez's novel, One Hundred Years of Solitude. In the novel events follow irregular and magical cycles of sorrow and frustration.

He now sees rays of hope that this melancholy sequence may be broken by the economic measures that governments in the region have undertaken – to varying degrees – over the last five years. These measures have brought budget deficits under control, ended years of protectionism and sharply reduced the role of government, thereby vastly enlarging the part played by the market.

On the face of it, they have been mostly successful. Inflation has fallen dramatically in the 1990s, except in Brazil, and the region as a whole has enjoyed per capita growth, though modest, for the first time in more than a decade.

The reforms have had other, often underestimated, effects. Many companies are looking for the first time to markets beyond their own borders, usually within the region.

Even if Latin American governments stall in their efforts to achieve formal economic integration – another feature of the 1990s – a de facto integration is under way at the corporate level.

Companies are also undergoing profound restructurings to compete in an international environment. Some are making important gains in productivity, as management and workforces realise that new working practices are needed for survival.

Yet many see themselves in a vice between high-technology exporters of the industrialised world and the ultra low-wage economies of Asia, in particular China. Imports flood into the shops, and Latin America's trade deficit widens.

A study published today by the McKinsey management consultancy finds that in three of four industries studied, Latin American labour productivity was extremely low.

"In steel, productivity averaged 37 per cent of the US level, 31 per cent in the food processing industry, and 29 per cent in the retail banking industry."

Only in telecommunications did productivity begin to approach American levels.

But McKinsey also shows that productivity in two of the industries – telecommunications and steel – has increased significantly in recent years, especially in Mexico, Brazil and Argentina.

Latin America's steel producers can remain internationally competitive because of low labour costs, it concludes.

The question is whether these productivity increases will be widespread or rapid enough to build a platform for exports. Without export growth doubts will remain about the foreign exchange generating capacity of some countries which still register very high debt ratios. According to figures from JP Morgan of the US, Argentina's debt-to-export ratio hardly changed between 1982-84 and 1991-93 at over 430 per cent. Brazil's ratio, around 300 per cent, and Venezuela's around 200 per cent, have not improved much either.

Last year, the region's $40bn (£26bn) plus current account deficit, which includes interest payments on debt, was easily financed. This year, with foreign capital markets more hostile, the economies with the largest deficits look vulnerable.

For now, the region's only undisputed comparative advantage remains in raw materials and energy. Most governments are welcoming foreign investment, and many mining and energy companies are getting excited about prospects.

While the development value of raw material exploitation has been questioned, it at least offers flows of foreign exchange to allow breathing space for other sectors become productive. Indeed, Latin America's most successful economy, Chile, built the initial phase of its strategy on the exploitation of raw materials.

However, Chile pursued an explicit policy of encouraging exports in the 1980s, including a crawling peg devaluation of the Chilean peso. Capital inflows have forced some peso appreciation, but the long-standing disposition to keep the exchange rate competitive has encouraged investment in export sectors.

Other countries have either been less successful in stemming exchange rate appreciation, for example Colombia, or have explicitly used the exchange rate as the central plank in fighting inflation – such as Argentina and Mexico.

A competitive exchange rate was also, according to a book published by the World Bank last year, an important feature of the economic success of east Asian economies. The east Asian economies "avoided strategies of macroeconomic stabilisation that stressed the role of the exchange rate in breaking inflationary expectations," it says.

The book, The East Asian Miracle, describes the following as common factors in Asian success:

- Low inflation and competitive exchange rates
- Successful building of human capital, in particular universal primary education
- Creating effective and secure financial systems, which encourage savings
- Limiting price distortions
- Disposition to absorb foreign technology
- Limiting the bias against agriculture
- Strong institutional mechanisms, including a meritocratic and well-paid bureaucracy.

While economists caution that this is not a unique and infallible recipe for success, Latin American countries score only average marks in important areas.

In some, the recipe is already impossible to follow. The need to maintain access to markets in the industrialised countries will make it difficult to provide domestic protection for export industries used by Asian economies.

Savings rates, while rising, are still well below levels in Asia. Latin America's average, says Ms Barbara Stallings of the UN Economic Commission for Latin America, is 19 per cent of GDP, compared with Asia's 29 per cent. This is also at the core of the region's overdependence on foreign capital.

The competence of Latin American governments to drive this agenda is also open to question. The UN Human Development Report, published last month, shows many Latin American countries raise as much in tax revenues as their Asian counterparts.

However, they have spent it badly, in part because of corruption. According to Mr Juan Llach, Argentina's economic planning secretary: "The state used to direct 7 per cent of GDP a year to investment, but since it bought everything at twice market prices, this was only equivalent to 3½ per cent."

In 1990, the Venezuelan government spent 4.1 per cent of its gross domestic product on education, more than Singapore's 3.4 per cent, but the quality of spending was atrocious.

According to one study, 43 per cent of the education budget went into administration and planning, and 37 per cent to further education, leaving only 16 per cent for basic and 2.9 per cent for secondary education.

"Education appears to be the single most important determinant of inequality at any given time," says Mr Edwards at the World Bank.

Mr Alejandro Foxley, Chile's former finance minister, reckons that the crucial difference between Asia and Latin America is wealth inequality. In Asia, the richest fifth has between 5 and 10 times more wealth than the bottom fifth; in Chile the ratio is 12, in Argentina 16 and Mexico 27.

These divisions have weakened social consensus in Latin America. And, unlike many parts of Asia (and indeed Pinochet's Chile), Latin Americans have a choice when they elect their governments. Already – in Venezuela, Costa Rica and Colombia – voters have returned governments offering a softening of market-oriented reforms. Elections are due in the region's three largest economies – Brazil, Mexico and Argentina – in the coming 12 months.

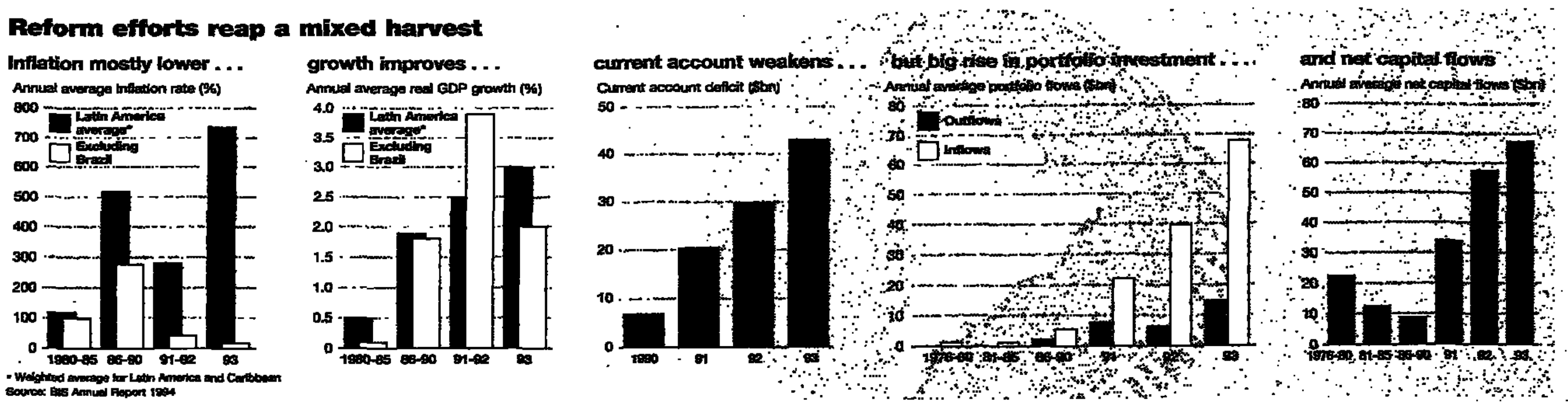
Mr Foxley asks whether the new economic order is politically sustainable, particularly if Latin Americans cannot be persuaded that the benefits of reform are being equitably divided. If market reforms are, or are seen as, widening the already-broad divide between rich and poor, then electorates will become intolerant of them. If this happens, the threat of populism – which offers only a return to Marquez's baleful cycle – may not be far away.

By reducing their interference in the economy, Latin American governments have provided the basis for escape from that cycle. Paradoxically though, the final escape looks like it will only be achieved through government action: in education, in improving the quality of government spending and in making sure the benefits of growth accrue to more than a narrow proportion of the population.

(Additional reporting by David Pilling.)

This is the first in a series of articles on Latin America's new economic order.

Reform efforts reap a mixed harvest



* Weighted average for Latin America and Caribbean
Source: BIS Annual Report 1994

Brown says all 50 states are winners under Gatt

Mr Ron Brown, the US commerce secretary, yesterday stepped up the White House campaign to steer the world trade pact through Congress, stating that all 50 US states would be winners under the General Agreement on Tariffs and Trade, Reuter reports from Washington.

In a co-ordinated campaign, the treasury department released its own pro-Gatt study, repackaging the trade pact as nothing less than a tax cut.

"The reduction in trade barriers resulting from the Uruguay Round will lead to the expansion of trade and increased market opportunities abroad for every US state," Mr Brown said.

The commerce department, the voice for business in the administration, released 50 reports breaking down the US export picture both state by state and sector by sector.

The Gatt agreement is due to come into force next year, providing Congress signs on. "It would be worse than an embarrassment in having completed successful efforts to break the gridlock...and not be one of the first countries to ratify it," Mr Brown said. "We're committed to achieving that goal this year."

Seeking to prevent delays, the White House has stepped up its lobbying campaign, painting the treaty as part and parcel of President Clinton's job creation programme.

"All states, localities and US industry is demonstrably helped by expanding market opportunities abroad," Mr Brown said, adding that exports have risen dramatically over the past seven years, and forecasting that the trend would accelerate as more commercial barriers crumble.

"Nearly two-thirds of the 50 states, 32 in all, increased export sales of merchandise by $1bn or more (in the seven-year period). Clearly Gatt is a major economic plan for long-term US economic growth and stability," said Mr Brown.

Ordinary Americans too should feel the benefits, according to the treasury analysis. As of last year, 39 states now export more than $1bn worth of merchandise a year, he said.

The biggest percentage gains in raised exports are being achieved by states such as Nebraska, South Dakota, Vermont and New Mexico. However the biggest gains in dollar terms are still the largest exporters, California, Texas, Washington state, New York, Ohio and Illinois.

Congress tries to solve crime bill conflicts

By George Graham in Washington

Congress members met again yesterday to try to resolve conflicts delaying final passage of all-embracing anti-crime legislation. Both Senate and House of Representatives have already passed crime bills covering everything from drug treatment programmes to gun-control measures.

Hardly anyone in either chamber is anxious to face the electorate in November without being able to boast about what they have done on an issue now topping most voters' concerns. But House and Senate seem deadlocked over whether the bill should include legislation allowing defendants to cite statistics showing the death penalty has been unevenly applied to different races as part of their defence.

In 1987, the Supreme Court ruled in McCleskey vs Kemp that such statistics were not enough to sustain a constitutional challenge to the death penalty. Opponents of the death penalty have been trying ever since to restore this weapon by legislative means; the measure is included in the version of the crime bill passed by the House.

Many senators oppose the provision, which is not included in the Senate version. To complicate matters, the House later voted in favour of a non-binding resolution urging its representatives, in meetings with the Senate, to oppose the measure it had earlier approved. Cost of the bill continues to climb. The Senate version would originally have cost $22.3bn over five years, the House version $28bn over six years. Cuts have resulted in a total $30.2bn over six years.

Durable goods orders up

By Michael Prowse in Washington

New orders for US durable goods rose more strongly than expected last month, underlining the strength of the US industrial sector, official figures indicated yesterday.

Orders rose 0.9 per cent between April and May, twice the increase projected by most Wall Street analysts. Orders have risen in nine of the past 10 months and are now running 16.7 per cent higher than in May last year.

Orders for primary metals were especially strong, rising 4.7 per cent last month and by 21.3 per cent in the year to May. Orders for transport equipment were also vigorous, rising 2.2 per cent and 20.5 per cent respectively.

The figures are not adjusted for inflation, running at less than 3 per cent per annum.

Shipments of durable goods, a guide to present capital spending, also rose strongly. Excluding the erratic aircraft sector, shipments of non-defence capital goods rose 2.2 per cent last month and by 17.9 per cent in the past year.

The orders figures reinforce the findings of a recent upbeat assessment of investment intentions by the commerce department. This indicated US companies were planning to raise spending on plant and equipment by 8.9 per cent in real terms this year. Much of this investment is expected to raise industrial capacity and thus enable the economy to expand without putting strong upward pressure on inflation.

The strength of investment and orders contrasts with a dip in personal spending in April and May.

French troops poised to enter Rwanda

By Leslie Crawford in Nairobi and David Buchan in Paris

French troops flew into eastern Zaire yesterday in readiness for Operation Turquoise – the controversial military expedition to rescue civilians trapped in Rwanda's genocidal war.

Transport aircraft landed the first soldiers of a 2,500-strong force at airfields in Bukavu and Goma on the shores of Lake Kivu. From there, the military intends to make short forays into western Rwanda, where thousands of persecuted Tutsis are herded in concentration camps guarded by Hutu militias. France won the UN Security Council's blessing for its mission of mercy despite international scepticism, a shortage of allies on the ground and the bitter opposition of the rebel Rwandan Patriotic Front (RPF), which believes France is intervening to deny them an outright victory in the civil war.

Yesterday, however, the RPF seemed to be softening its opposition to French intervention. "If the French stick to their humanitarian mandate, and do not interfere in our struggle, then we will have no quarrel with them." Dr Emmanuel Ndahiro, the RPF's military spokesman, said from the capital, Kigali. "But we still have misgivings about the French operation. We cannot exonerate them from the crimes committed by the Rwandan government."

The rebels distrust Paris because of its military and financial support for the government of Gen Juvenal Habyarimana until his death in an air crash on April 6. Having bolstered Rwanda's crumbling army with military advisers, weapons, armoured cars and helicopters, France is regarded as an accomplice to the slaughter of Tutsis and Hutu opponents of the Habyarimana regime which followed his death.

France plans to lead quick missions into Rwanda to rescue endangered civilians, but has pledged not to make deep raids or to be drawn into fighting between government and rebel forces. The UN mandate authorises French troops to use force if attacked.

In Paris Mr Alain Juppé, French foreign minister, yesterday sought to downplay the military and political risks for France intervening almost alone in Rwanda, in the face of hostility from rebels controlling two-thirds of the country.

"Senegalese soldiers will be at our side and discussions are in train with Guinea-Bissau," he told the French Senate yesterday. Senegal is apparently to send troops it had already agreed to contribute to the planned UN force due in Rwanda in late July, at which point France has said it will pull its troops out.

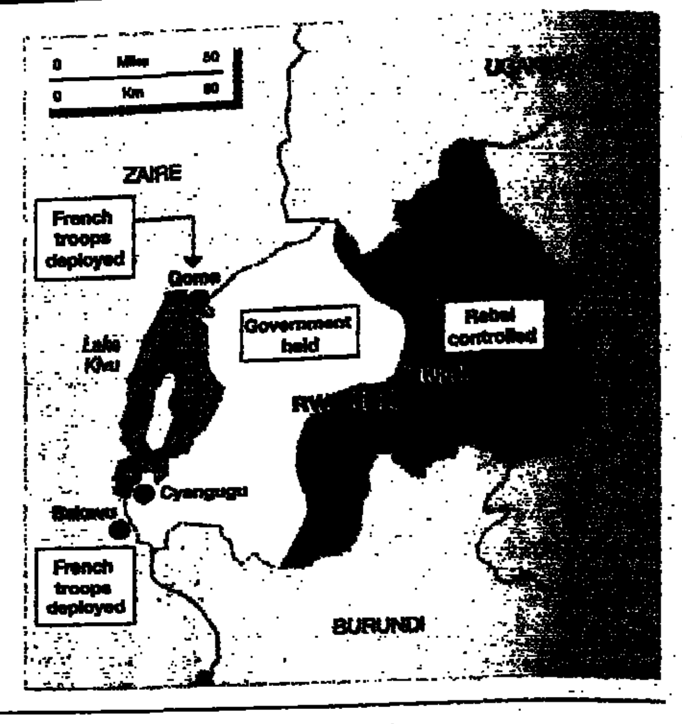
Mr Juppé said he hoped European countries would give France the logistic support the US has already pledged. France will be pressing its European Union partners for backing when the Twelve start their summit in Corfu later today, Mr Alain Lamassoure, French EU affairs minister, said yesterday, adding that while "there might be 10 good reasons for not intervening, the one essential reason for doing so is that a whole people is in the course of dying".

The French are setting up field hospitals on the Zaire border. But it is not clear whether they will just seek to evacuate refugees and wounded to the hospitals, or try to set up safe zones as they and other UN peacekeepers have sought to do in Bosnia.

Although Operation Turquoise is meant to be a bridging operation until the UN can muster a multinational force, it has inadvertently undermined the work of the 400 UN military personnel who remained in Kigali after the majority of UN troops and all foreigners were evacuated in April.

Thousands of Tutsis have also demonstrated against the French expedition in Bujumbura, the capital of neighbouring Burundi, which is bristling with the tensions of the Rwandan conflict.

With anti-French sentiment rising in the RPF-controlled areas of the capital, the UN decided to relieve 42 French-speaking African soldiers from their duties. They were flown to Uganda on Wednesday.



Agreement emerges to freeze nuclear plans and hold talks

Clinton's team breathes easy at N Korea accord

George Graham reports on a sense of relief in Washington that there was a third way to resolve a thorny foreign affairs issue

Enormous relief was expressed in Washington yesterday at the emergence of an agreement with North Korea that would freeze Pyongyang's nuclear programme and pave the way for talks in Geneva next month.

Clinton administration officials had adopted a wait-and-see approach after former president Jimmy Carter returned from Pyongyang last week with an offer that apparently met US conditions for resuming talks.

When official confirmation finally arrived on Wednesday, it allowed the US to embrace Mr Carter's deal, a third option far more palatable than the policies of economic sanctions or military action which appeared a week ago to be all that remained.

The pursuit of economic sanctions at the United Nations never seemed very promising. North Korea's limited economic links with the rest of the world made it largely immune to such economic pressure, in the unlikely event that neighbouring China would agree to a strong sanctions resolution.

The option of bombing North Korea's nuclear facilities, advocated by several senior officials from the administration of former President George Bush, though in the more clinical language of "eliminating reprocessing capacity", carried with it the possibility of provoking at least some counter-attack on South Korea, if not a full-blown second Korean war.

It remains to be seen how complete the victory will prove to be. North Korea's President Kim Il-sung may have folded, but poker rules allow him to keep his cards concealed, and the truth about nuclear fuel extracted in the past may now never be established.

For an apparent success, however, the US's achievement in getting Pyongyang to agree to a freeze on its nuclear development was greeted with an unusual degree of criticism.

Why did the White House not come up on its own with Mr Carter's blindingly simple idea of talking directly to President Kim? Was it the White House's failure to brief Mr Carter properly that led him to say prematurely last week that the drive for sanctions had been called off? Why did President Clinton appear over the weekend to disown Mr Carter, only to embrace him again on Wednesday when he received confirmation from Pyongyang that the deal did indeed correspond with what the former president had announced? These were the questions being asked.

White House officials were irked by the carping tone with which their announcement was received.

"When we have just had a positive step forward, I find it strange to speculate on how we messed it, so I'll try to get my mind around that," sniffed one senior administration official.

The whole episode, coming on the heels of about-turns and waverings on China, Haiti and half a dozen other international problems, has reinforced the image of Mr Clinton's foreign policy team as "the gang that couldn't shoot straight".

The criticism may be unfair, but at the least, the Clinton team is the gang whose every shot is going to be viewed as astray by a White House press corps whose binoculars are trained firmly on the trigger finger, not on the target.

Taiwan to hold talks with China

By Laura Tyson in Taipei

Taiwan has agreed to hold working-level talks with China next month in an effort to "promote cross-strait dialogue and rapprochement," a senior Taiwanese official said yesterday.

Mr Kao Koong-lien, vice-chairman of the Mainland Affairs Council, also indicated Taipei's willingness to resume high-level meetings with Beijing, but the timing and agenda remain unclear.

The move signalled a thaw in recent tensions sparked by the killings of Taiwanese tourists in China's Zhejiang Province in late March. Ties plunged to a seven-year nadir after the robbery-murder-arson attack on 24 tourists aboard a pleasure boat on Qiandao Lake near the city of Hangzhou.

The two sides will discuss repatriation of illegal Chinese immigrants and airline hijackers, fishing disputes and safety of Taiwanese travelling in the mainland.

This would be the fifth round of administrative talks since the second half of last year. Previous rounds have degenerated into squabbles over sovereignty issues.

Aden suffers worst barrage

Northern Yemeni forces pounded the southern city of Aden with the heaviest artillery barrage of Yemen's civil war yesterday as the south called for sanctions to force the north to stop the attacks, Reuter reports from Aden.

Shells crashed into Aden's northern suburbs of Mansoura and Sheikh Othman at a rate of one a minute in the evening after a brief afternoon lull.

Residents said that, for the first time since the war began on May 4, almost all Aden's residential areas were being bombarded by northern forces, which are trying to crush the south's bid to secede from a united Yemeni state.

Aden's population was estimated at 350,000 before civil war broke out. It has grown to over 400,000 as refugees fled into the city.

Attack comes straight after upper house agrees the national budget

Hata faces motion of no confidence

By William Dawkins in Tokyo

Japan's Liberal Democratic party, the country's largest political opposition group, yesterday launched a no-confidence motion against the minority government. The LDP moved into the attack straight after the upper house finally agreed this year's national budget, three months after it was due to take effect. The LDP and other opposition parties had agreed a political amnesty until Japan's national finances were assured.

The five-party coalition of Mr Tsutomu Hata responded by boosting its campaign to entice the Social Democratic Party to rejoin the government, in the hope of restoring its parliamentary majority. Mr Hata was closeted last night with Mr Tomiichi Murayama, the Socialist leader, in a last-ditch attempt to save his two-month-old administration.

The LDP attack paralysed attempts to resolve the US-Japan trade deadlock, a factor in the recent currency turmoil, forcing Mr Koji Kakizawa, Japan's foreign minister, to shelve next weekend's talks with Mr Mickey Kantor, US trade representative.

"It may not... be appropriate for a minister from a government which has just had a no-confidence motion submitted against it to attend such talks," a foreign ministry official said.

Mr Hata admitted his government's fate hung on the result of talks with the Socialists. "I would like to stake everything, including whether to resign, on the policy talks between the coalition and the Socialist Party," he said. The Socialists left the government in late April in anger at the formation of a right-wing group excluding them.

Mr Hata said if he did resign, he would not call a general election, but leave it to opposition parties to form a new government. An election would delay the final phase of electoral reform: the redrawing of electoral boundaries. Japan's move from a multi-seat electoral system to a mix of proportional representation and single-seat districts would benefit parties such as Mr Hata's Renewal Party.

A parliamentary committee was meeting last night to decide when to take the no confidence vote. If the SDP joins the coalition, the vote will fail. But up to 30 SDP MPs could ignore such a call, when the coalition's survival would hang by a thread.

The rising yen: it was not always thus

William Dawkins tracks the Japanese currency from $ parity in 1874

Japanese exporters who complain about their currency's historic break through Y100 to the dollar might cheer themselves up by looking back 120 years.

For the yen was as mighty as the dollar itself when it was born as a gold-backed internationally negotiable currency in 1874, by order of the young Emperor Meiji. Since then, it has neatly moved from a yen to the dollar to a yen to the cent.

The first gold yen coins were minted on presses imported from Hong Kong when Japan was running a heavy trade deficit to feed its breakneck modernisation from medieval to industrialised country.

The name yen, meaning "round", was introduced by educated urbanites in the 1850s to replace the untranslatable *ryo*, the forerunner of the modern yen.

The ryo and the multiple rival paper notes issued by warring *daimyos*, heads of feudal clans, were of such uncertain value that traders and financiers used a parallel tender, Mexican dollars issued by the Hong Kong and Shanghai Bank's Yokohama branch. These, still in circulation until the turn of the century, were the precursors of the first yen notes issued by commercial banks in the late 1870s, followed by government issued paper with the foundation of the Bank of Japan in 1882.

The emperor fixed the 1874 yen at 1.5g of gold, the same as the dollar of the time. Today, the same weight of gold is worth $595.

Of course, the yen has been revalued several times since then and Japan's currency has been as volatile as the country's own fortunes over the past century.

From its mighty birth, the yen steadily grew mightier, so that it was worth Y0.23 – or 23 sen – to the dollar by the outbreak of war with the US in 1941, according to Japan's central bank.

The yen came out of international circulation during and just after the war. Hyperinflation caused its value to collapse dramatically, forcing the authorities in 1946 to redenominate, by slicing two zeros off the face value.

The debate over whether to redenominate the yen again – which would restore parity with the dollar – has resurfaced several times, most recently after the 1986 round of yen appreciation, or *endaka*. Proponents believe it might stimulate consumer spending by making people feel their yen are even more valuable, but bankers in Tokyo scoff at the idea.

In 1949, the US occupying forces fixed the Japanese currency at Y360 to the dollar, its rate when Japan entered the International Monetary Fund three years later. At first, Mr Ralph Young, the US Federal Reserve's emissary to Japan advised a rate of Y270 to Y300. In the event, Japanese industry was let off lightly.

Japan's rapid industrialisation in the 1960s made Y360 clearly undervalued by the time the US abandoned the gold link in 1971. It shot up to Y270 in less than a year, at which it hovered for nine months, a rare period of stability, until the first oil crisis.

The surge in oil prices hit the economy so hard – even causing the neon lights to go out in Ginza, Tokyo's prestigious shopping area, recalls one seasoned observer – that the exchange rate slumped quickly back to Y300.

The yen dipped again after the 1979 oil price shock, tantalisingly suggesting a pattern: that it should go down when commodity prices go up, as they are doing now. "High commodity prices are very bad for Japan's terms of trade. That's one of the reasons why I fail to get excited by the yen's present strength," says Mr Geoffrey Barker, chief economist at Baring Securities in Tokyo.

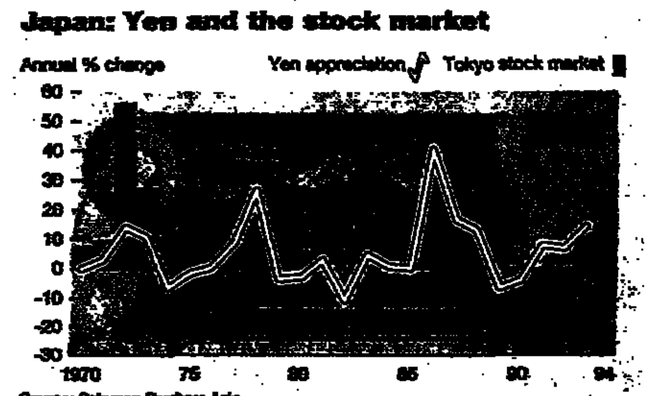
The yen started to climb again with the 1980s export boom, as Japanese cars and cheap high quality consumer electronics swept Europe and the US. The easing of US monetary policy, reinforced by the 1985 Plaza accord to curb the value of the dollar, caused the yen to shoot off again to around Y140 by the end of the decade, its value virtually doubling in the 1980s.

The yen was supported for a while by Japan's economic "bubble". And then, perversely, the onset of recession at the start of the 1990s pushed it up even higher, to nearly Y100 last August, as a fall in imports caused the export-dependent economy to record an increasingly wide current account surplus.

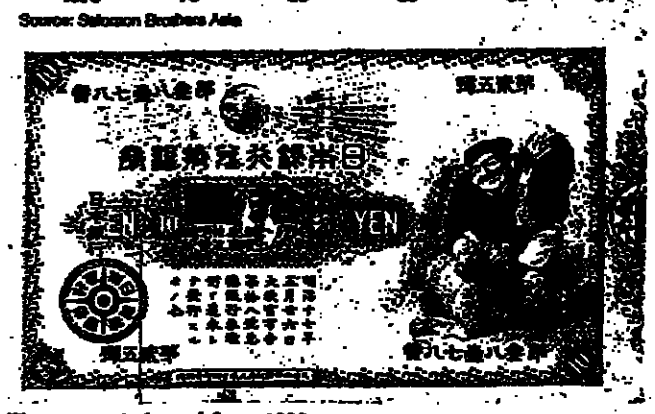
In contrast to previous sharp rises, the latest surge, to Y99.85 at one point, has more to to with the dollar's weakness against European currencies than with any inherent talent of the yen for defying gravity.

On Tuesday the Asahi Shimbun electronic newsboard, on top of a Ginza towerblock, flashed the news to the crowds below that the yen had crashed through Y100. For the viewers below, the figure could have been a symbol of short-term complications for the economy or as one more indicator of the country's economic rise.

Japan: Yen and the stock market



Source: Salomon Brothers Asia



Five-yen note issued from 1882

PLO chief delays trip to liberated Palestine

Arafat sits tight for a better financial deal

By Roger Matthews, Middle East Editor

The timing of Mr Yassir Arafat's first visit to the newly-liberated areas of Palestine could be decided as a result of emergency meetings in Washington today involving leading members of the Palestine Liberation Organisation, the World Bank and US officials.

Mr Arafat, chairman of the PLO, has delayed announcing a date for his trip largely because he is not satisfied with the financial arrangements for the new self-governing authority which will take over responsibility for the Gaza strip, Jericho and later much of the West Bank.

More than $2.3bn (£1.5bn) has so far been pledged by international donors for development projects in the territories over the next five years, but serious problems have arisen over start-up costs of the new Palestinian authority and covering its budget deficit in the first year of operation.

Mr Ahmed Qurei, also known as Abu Ala, who heads the Palestinian Economic Council for Reconstruction and Development (Pecdar), told donors earlier this month that $177m needed to be paid into a Palestinian account. "Without it, we cannot build new administrations, or pay the police force and employees."

Mr Arafat said in Tunis on Tuesday that offers of cash aid so far were "derisory". Senior officials added that he would not decide on the date of his trip to Jericho until the issue was resolved.

Aid donors have pledged $720m out of $2.3bn for the first year, of which $80m has been disbursed and a further $350m committed to specific projects. However, legal restraints prevent some governments from transferring aid pledges into direct budget support, while others are demanding additional "transparency and accountability" by Palestinian institutions before releasing funds.

The cost of covering start-up costs of the new Palestinian authority and its budget deficit this year is put at $168m. Some $91m had already been pledged before a donors' meeting in Paris earlier this month, which brought further commitments of $42m, including contributions from Saudi Arabia and Kuwait which had previously refused to consider any direct cash payments to the Palestinians.

These contributions have been paid into the Holst Fund, named after Mr Johan Joergen Holst, the late Norwegian foreign minister, who played such a central role in facilitating the September 13 outline peace accord signed by the PLO and Israel. The fund, administered by the World Bank, stands at about $55m. PLO officials, headed by Mr Qurei, wish to know from the bank how quickly this money can be disbursed.

At the same time, the PLO team will seek US help in pressing other donor nations to provide the remaining $35m required to satisfy budget and other costs until the end of this year. Members of Pecdar have emphasised it is difficult to engage in planning longer-term projects while immediate financing requirements for 1994 remain uncertain.

Mr Arafat appears equally determined not to make his trip to the territories without having at his finger tips at least some of the financial patronage which over many years has helped sustain his authority.

Britons held by Kashmir militants set free

By Alexander Nicoll, Asia Editor

Two Britons held by Moslem militants in Kashmir for 17 days were set free unharmed yesterday.

Mr Kim Housego, 16-year-old son of a former Financial Times correspondent, and Mr David Mackie, a 36-year-old London video director, were released to local journalists who delivered them to Mr David Fitton, a British diplomat, in Srinagar, summer capital of the Indian state of Jammu and Kashmir.

"We were treated well the whole time. They gave us plenty of food and extra blankets," Kim Housego said. The militants, numbering about 20, had moved hideouts frequently since kidnapping the pair while they were on separate trekking holidays.

Four Kashmiri journalists were summoned yesterday to Anantnag, south of Srinagar. Eight militants, some of them armed, handed over the Britons and insisted they should not be taken to the police in Anantnag but be delivered to their families in Srinagar. David and Jenny Housego, Kim's parents, were in Anantnag awaiting the release, but eventually heard that their son and Mr Mackie were free and in Srinagar.

Mr David Housego, former FT New Delhi correspondent and now a Delhi businessman, was at the centre of attempts to secure the release. Operating from a houseboat in Srinagar, he secured an undertaking from the Indian authorities to refrain from actions which could jeopardise a safe release and travelled into the mountains to meet the militants last weekend.

There had been signs release was imminent for several days. But efforts appeared to have been set back on Monday by the murder near Anantnag of Mr Qazi Nissar, a Kashmiri Moslem leader acting as an intermediary with the kidnappers. The murder, which caused public outrage in Kashmir, appeared unconnected with the kidnap. Mr Housego yesterday described Mr Nissar as a "generous and warm man".

Messages from the Pakistani government and Pakistan-based militant groups, calling for release of the captives, had clearly influenced the kidnappers, Mr Housego said.

The Harkat-ul-Ansar group took responsibility for the kidnap although its leader in Pakistani Kashmir called for the captives' release. The kidnappers' demand for release of three jailed leaders was quickly dropped as they saw they had no support.

Kashmiri militant groups, who oppose Indian rule in the disputed territory, have been embarrassed by the kidnap; they saw it as hampering their efforts to publicise alleged human rights violations by Indian security forces in Kashmir. Mr Douglas Hurd, UK foreign secretary, expressed his delight at the release and thanked the governments of India and Pakistan for their "co-operation and support".

Chinese ask to adjourn Hong Kong talks

By Simon Holberton in Hong Kong

A high-level meeting of British and Chinese diplomats discussing Hong Kong's future yesterday took a dramatic turn when the Chinese side requested a suspension of the talks until Monday.

The two sides said the adjournment of the 29th meeting of the Joint Liaison Group was needed so that a sub-group negotiating the transfer of military land could have more time for agreement.

It is believed the Chinese negotiating team needed time to refer to Beijing for fresh instructions after Britain refused to improve on its final offer.

Today's meeting of a joint group discussing finance for Hong Kong's multi-billion-dollar airport project is unaffected by the suspension of the JLG, the first such interruption of a JLG session since it began talks in the mid-1980s.

However, optimism about a settlement of airport financing at this meeting has given way to caution.

In spite of encouraging remarks by senior Chinese government officials, a deal looks less certain, government officials said late yesterday.

The issue of defence lands has proved one of the most difficult for Britain and China to resolve. For the past seven years the two have been negotiating about how many of the 39 military sites will go to the People's Liberation Army.

The sticking-point in the present talks, raised late on Wednesday, is understood to be a Chinese demand that the British guarantee completion of more than HK$3.5bn (£298m)-worth of work on PLA military facilities.

These include the construction of a base for the Chinese navy.

China has made this demand because the UK cannot guarantee that Hong Kong's Legislative Council (LegCo), which has to approve all government spending, will agree to vote the money as asked.

British officials hope that China's new demand is simply a gambit by negotiators to show their superiors in Beijing that they have tried hard to secure the best deal possible.

They see no chance of the UK Treasury underwriting the cost of Chinese military facilities.

These officials point out that a failure to agree terms by July 6, when LegCo rises, means the Hong Kong government will be unable to finish the naval base by mid-1997 when sovereignty of Hong Kong passes to China.

The British objective has been to get the Chinese military to accept as few of the military facilities in Hong Kong as possible. The UK also wants the PLA to accept that when military land becomes surplus to requirement, it should revert to the Hong Kong government for redevelopment.

There is considerable unease in Hong Kong about the stationing of the PLA in the colony. Mr Deng Xiaoping, China's ailing leader, has decreed there will be a PLA presence in Hong Kong. It is generally assumed this force will number some 10,000 soldiers and a naval contingent whose strength is unknown.

NEWS: WORLD TRADE

Russia energy deals gather pace

By Robert Corzine

The $10bn oil and gas agreement between Russia and a western consortium is the latest in a string of large deals to develop energy reserves around the Russian periphery. The agreement, signed in Washington late on Wednesday, covers the development of two oil and gas fields off Russia's Sakhalin Island by a consortium led by Marathon Oil of the US. Other partners include Mitsui, Mitsubishi, Royal Dutch/Shell and McDermott.

The fields – Piltun-Astokhskoye and Lunskoye – contain an estimated 750m barrels of oil and natural gas liquids, and 14,000bn cubic feet of gas. Marathon says peak production of 180,000 barrels a day of liquids and 1.5bn cubic feet a day of gas is expected four years after the go-ahead is given for full-scale development.

That, however, must await passage by the Russian parliament of an oil and gas law to govern production-sharing agreements such as the one signed this week. Some western oil companies are demanding additional assurances in the form of separate legislation covering specific projects before they commit substantial funds in Russia.

Marathon says Russia would receive more than 50 per cent of the production revenues from the project, which is one of a number envisaged for Sakhalin in spite of the harsh operating conditions in the area. Much of the work in the area can only be done between May and mid-October, when winter storms make construction impossible.

Many big western oil companies have chosen to pursue technically difficult but self-contained projects on the Russian periphery rather than rely on the Russian oil export transportation system, which is plagued by bottlenecks.

The Marathon-led consortium plans to liquefy the gas for direct sale to fast-growing Asian markets such as Taiwan or Korea. The oil will be piped ashore before being exported by tanker. The Russian government has supported such schemes because neither it nor any Russian oil companies have the financial resources to develop them.

VW set for windfall after China ruling

Tony Walker on a freeze on new players in the market that will benefit the German car maker

Mr Peter Loew, chief executive of Shanghai Volkswagen, China's largest manufacturer of passenger cars, wears the smile of a man who knows that he is on to a good thing.

China's new automotive industry policy, which has been widely leaked to the Chinese press, specifies a freeze on new participants in vehicle assembly plants until 1996.

This could hardly have provided a more satisfactory windfall for Volkswagen which is rapidly expanding its manufacturing and assembly facilities near Shanghai and at Changchun in northern China.

"The policy will give existing joint ventures time to improve their products and introduce new models to reach world standards," Mr Loew said. He could have added that the moratorium will stretch Volkswagen's lead in the world's fastest-growing vehicle market. Demand is expected to soar in the next few years as more Chinese are able to afford their own cars.

In 1993, China produced 234,000 passenger cars of a total 1.3m vehicles manufactured locally. By the year 2000 demand is expected to exceed 2m passenger cars with local production accounting for about 1.8m of the total, according to the Chinese plan.

This figure presupposes a sevenfold increase in production of passenger vehicles by the turn of the century. Such growth would be impossible without the entry of additional foreign manufacturers.

Shanghai Volkswagen, which was established in 1985 as a joint venture (VW has 50 per cent) with the Shanghai Automotive Industry Corporation, Bank of China and China National Automotive Industry Corporation, produced 100,000 Santanas (a variation of the Brazilian-designed Passat) in 1993. It plans to raise output to 150,000 a year by next year with a second car plant at Shanghai, due to be finished later this year.

At the same time Volkswagen is increasing engine production to 150,000 at its Shanghai plant with plans for further expansion. It is also increasing capacity at its Changchun facility where it is in partnership with the First Auto Works, producing Audi 100s and Jetta cars. Combined production of the Audi and Jetta exceeded 30,000 last year. Output is expected to increase this year to more than 40,000 and in 1995 to 60,000.

Mr Loew said Volkswagen, whose production of passenger cars accounts for about 60 per cent of China's total sedan output, hoped to be producing 600,000 vehicles in China by the year 2000, but this would require additional plants.

In the past year Volkswagen achieved a breakthrough when it lifted local content in its Santanas to more than 80 per cent, thereby earning a reduction from 48 to 32 per cent in duties on imported items.

Some 82.2 per cent of Santanas are now sourced locally and Mr Loew says Volkswagen has no plans to raise local content further at this stage since the company is now paying the lowest rate of duty on imported items; but there is scope for further increases in the 60 per cent local content of the Audis.

Among the difficulties in raising local content levels has been an under-developed components industry. Volkswagen relies on some 160 local suppliers, but quality is a frequent problem.

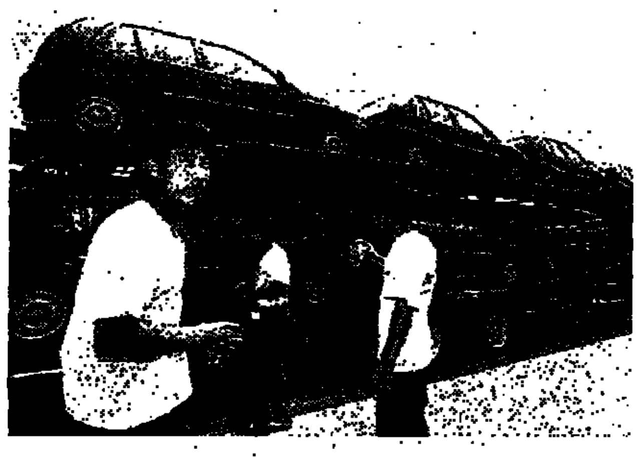
Mr Loew said he hoped there would be more competition in the components sector under the new policy.

Beijing has also declared that attracting foreign investment in the components sector was a key element of its automotive policy and that companies wishing to assemble cars in China would first have to demonstrate their good faith by investing in the manufacture of components and spare parts.

Japanese and US car companies, which have been comparatively slow to respond to the opportunities in China, are planning Chinese components ventures as a means of positioning themselves for the end of the moratorium on new participants in car manufacture and assembly.

Mr Loew said that VW's equity had "increased tremendously" since the company's initial investment of Yn350m (£26.7m). Shanghai Volkswagen repatriated profits last year for the first time, making a modest contribution to the balance sheet of its troubled parent.

Mr Loew is confident that sales of the Santana, Audi and Jetta will continue to be buoyant. Volkswagen would seem to have reason to be quietly satisfied with its 1984 decision to proceed in China while its competitors were standing on the sidelines.



Chinese-made versions of the Japanese Daihatsu Charade arriving in Beijing ahead of yesterday's opening in the capital of China's biggest car show. The cars, known as Tianjins after the name of the city where they are built, are manufactured by Tianjin Auto Works/Daihatsu joint-venture company.

Chinese vehicle assembly joint ventures

	Marques	1993 output
Shanghai Volkswagen	VW Santana	100,000
Beijing Jeep/Chrysler	Jeep/Cherokee	80,000
Tianjin Auto Works/Daihatsu	Charade/Minibus	50,000
First Auto Works Changchun	Audi 100/Jetta	30,000
Jin Bei, Shenyang (Liaoning Province)	Toyota Minibus/ GM Light Truck	30,000
Guangzhou Auto/Peugeot	Peugeot 504	20,000
Second Auto Works, Shiyan (Hubei Province)	Citroen ZX	13,000

Source: South China Morning Post/FT

S Korea names candidate for WTO

By Frances Williams in Geneva

The contest for the first head of the World Trade Organisation widened yesterday when South Korea said it was nominating Mr Kim Chul-su, its trade and industry minister.

Mr Kim is the fourth declared candidate. President Carlos Salinas of Mexico formally entered the race on Wednesday, following Brazil's nomination of Mr Rubens Ricupero, its finance minister, and Italy's endorsement of Mr Renato Ruggiero, a former trade minister.

The Seoul foreign ministry said Mr Kim had a "good chance" of election by the General Agreement on Tariffs and Trade's 123 members, four-fifths of which are developing countries. Canvassing for Mr Kim among trading partners has only just begun, according to South Korean officials in Geneva.

Many developing countries would in principle like to see a Third World candidate head the WTO, which will succeed Gatt next year. The Gatt job has always gone to a European. But developing country support could split on regional lines. To complicate matters, the US, which last year backed Mr Peter Sutherland, the EU nominee as Gatt director general, is said to favour Mr Salinas. The EU is not helping its own cause by delaying endorsement of Mr Ruggiero as part of the horsetrading over the EU presidency and other top jobs.

Under Gatt rules, the appointment of a director general must be made by consensus, after consultations being conducted by Mr András Szepesi, Hungary's Gatt ambassador and current chairman of the contracting parties (members). The final decision will be taken by members at their annual meeting in December.

Mr Kim, 53, is a career civil servant who headed negotiations on intellectual property protection with the US in 1989 which averted trade sanctions threatened by Washington.

Trade rivalry divides Brazil and Mexico

By Our Foreign Staff

Relations between Latin America's two biggest economies, Mexico and Brazil, are coming under strain as the battle to head the future World Trade Organisation intensifies.

The candidature of both Mexico's President Carlos Salinas and Mr Rubens Ricupero, Brazil's finance minister, may split the Latin American vote and help their rivals.

The differences over Latin America's choice follows competition over leadership of the trade issue in South America. This may be felt more strongly in Brasiliá than in Mexico City. Brazilian officials have watched with discomfort as Mexico, after securing the North American Free Trade Agreement with the US and Canada, have signed free trade accords with South American governments. The latest, the Group of Three accord with Colombia and Venezuela, was signed last week.

Brazil has responded with its own proposal for a South American free trade zone but the attraction has been limited by Brazil's economic instability. Put baldly, the Brazilian view is that Mexico has abrogated its right to speak for Latin America and the rest of the developing world by signing up to Nafta. In the more diplomatic language of a finance ministry official, Mr Ricupero could provide a "third way" between the choices of the EU and Nafta trade blocs. A Brazilian foreign office spokesman insisted that Brazil believed Mr Ricupero remained a strong candidate.

Mexico's foreign ministry argues that Mr Salinas' record as president of Mexico, strong commitment to free trade, and apparent support from most of Latin America, the US and Canada makes him by far the stronger of the two regional candidates – and the only one with a chance of winning.

Mr Manuel Tello, Mexico's foreign minister, firmly denies that the rift between Mexico and Brazil reflected a wider struggle for Latin American leadership. He says the two candidates should be judged on individual merit.

Mr Tello made little secret of his disappointment that Brazil has not backed down. Mr Tello said Mr Celso Amorim, Brazil's foreign minister, told him on May 30 that Brazil would reconsider proposing Mr Ricupero if Mr Salinas chose to run and that Mr Amorim had said the Mexican president's candidacy was "a very good idea". Brazilian officials denied this version, however. According to them, Mr Amorim told his Mexican counterpart and Mr Salinas on May 30 that countries would need to "examine the situation" if a president – meaning Mr Salinas – became a candidate. This was, they say, diplomatic language and never intended as an indication that Mr Ricupero's candidacy could be withdrawn.

In the absence of President Itamar Franco of Brazil, the Latin American participants of the Ibero-American Summit last week in Colombia backed the Salinas candidacy. According to Mr Tello, President Carlos Menem of Argentina first proposed that the heads of state should endorse Mr Salinas, arguing that the chance of an important international position for a Latin American should not be missed.

Brazil's anger led to an embarrassing about-turn by Buenos Aires and Argentina issued a diplomatic letter stressing its support for Mr Ricupero. Mr Hugo Herrera Vegas, undersecretary at Argentina's foreign ministry, said: "It was all a misunderstanding. It has been clarified. It was a mistake. These are the dangers of high level diplomacy, the diplomacy of *chefs d'etat*, which have their advantages as well as disadvantages."

Reports by Damian Fraser in Mexico City, Angus Foster in Brasiliá, John Barham in Buenos Aires and Stephen Fidler in London)

Creation of regulator proposed

Overhaul for UK pensions industry

By Norma Cohen, James Blitz, and Lisa Wood

A far-reaching overhaul of the occupational pensions industry, including the proposed creation of a regulator with powers to enforce common standards, was unveiled by the British government yesterday.

Its white paper was tougher than had been expected, endorsing many of the proposals urged by its own advisory panel, the Goode Committee, nine months ago.

The paper also proposes that pension schemes meet minimum solvency standards, allow members to appoint at least a third of trustee boards, and contribute to a compensation scheme that will pay pensions if assets disappear through fraud.

Social Security Secretary Mr Peter Lilley said that the prevention of fraud was at the heart of his proposals. He emphasised that no single measure could provide a satisfactory defence against fraud, but claimed that the new arrangements could have prevented the Maxwell pensions scandal had they been on the statute book some years ago.

Mr Lilley said that his broad-ranging proposals would "strengthen the whole pensions industry by providing the three basic essentials of security, equality and choice."

Industry reaction to the white paper was generally supportive, although employers, scheme advisers and the pension industry's trade association all expressed some reservations.

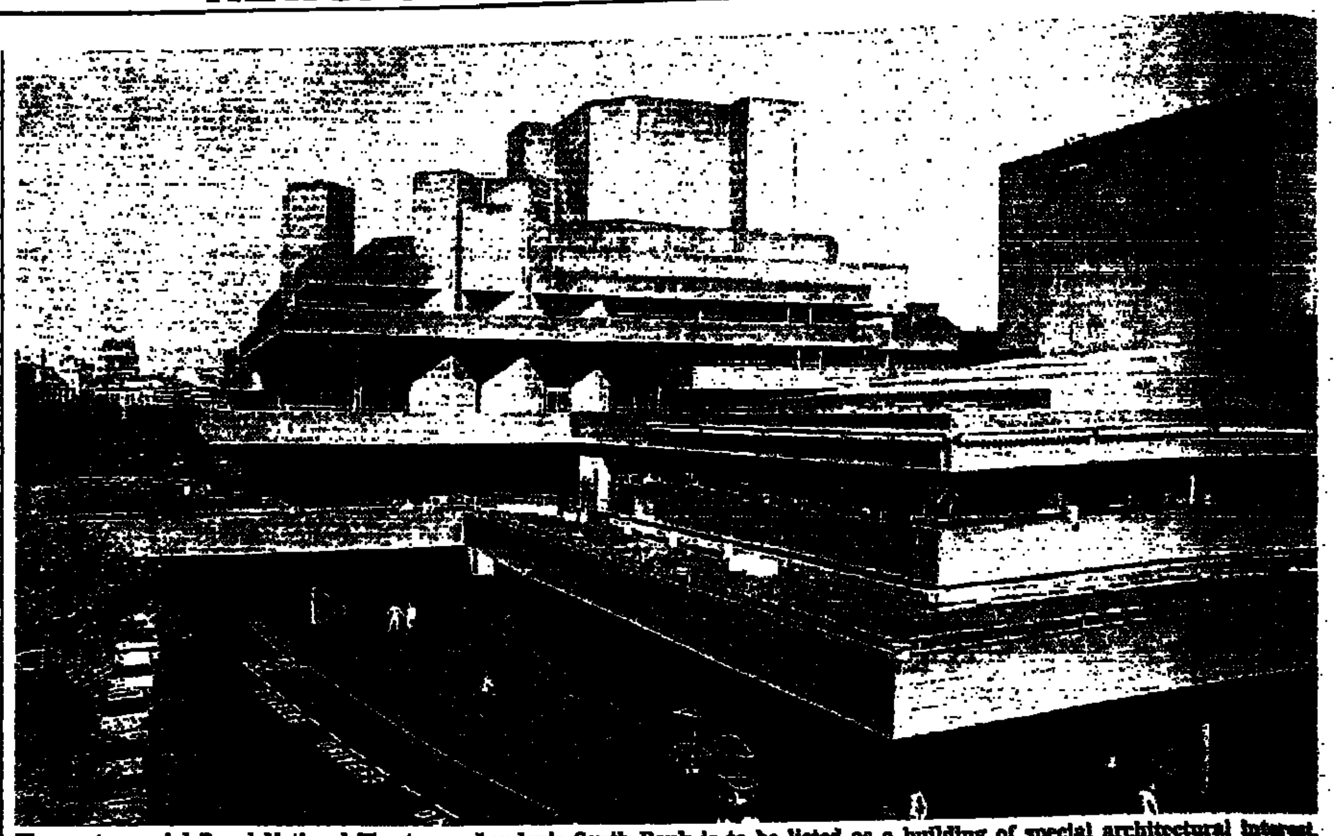
Industry estimates that pension schemes will have to spend 10 times the £60m to £140m that government says is needed to meet the new standards.

The Goode Committee was formed in June 1992 following the death of the late Mr Robert Maxwell and the subsequent discovery that over £440m had disappeared from pension schemes he controlled.

However the government proposes that the regulator be less powerful than suggested by the Goode Committee. It will have to rely largely on "whistle-blowing" by professional advisers and scheme members to uncover wrongdoing and will not routinely inspect scheme financial statements. Also, contrary to recommendations that it be financed from general revenues, the government proposes that a levy on industry finances its budget of about £10m.

Employers will have up to 10 years to meet new minimum solvency standards in full. However, once they take begin to take effect, employers whose schemes have less than 90 per cent of assets needed to pay liabilities will have to add additional cash almost immediately, a controversial proposal which industry had opposed.

The white paper also proposes the elimination of Guaranteed Minimum Pensions and the substitution of an alternative protection against inflation. They will be required to increase pensions in payment by five per cent or the rate of inflation, whichever is lower. The white paper also proposes linking tax rebates for personal pension holders to their age and allowing those about to retire some flexibility in buying an annuity.



The controversial Royal National Theatre on London's South Bank is to be listed as a building of special architectural interest. Heritage secretary Mr Peter Brooke said the theatre was being graded in recognition of its "outstanding architectural quality". Designed by Sir Denys Lasdun and built between 1969 and 1976, it has three auditoria - the Lyttelton, the Olivier and the Cottesloe.

Warning on investment aid level

The long-term future of international companies' English plants may be jeopardised if the UK government cuts back the regional aid it offers them to upgrade their facilities, a local Labour MP warned yesterday, Chris Tighe writes.

Mr Doug Henderson said a foreign-owned company with a plant in his constituency had approached him for help after being told by the Department of Trade and Industry within the last week that its application for Regional Selective Assistance had been rejected.

The MP said he feared the benefits of attracting to the UK such international companies making products for worldwide markets could be undermined if they then found further investment, needed to maintain their future competitive edge, did not win UK government backing.

"If companies like the one in my constituency feel they aren't getting the regional support they did in the past, and the support they could get in other European countries, they will be less inclined to invest in the future and that could mean jobs will be undermined," said Mr Henderson. "International companies can locate anywhere."

On Wednesday, the DTI confirmed it is tightening up the allocation of RSA grants for projects in England, as part of public spending constraints. It is also placing greater emphasis on the quality of jobs the projects would create.

The clampdown, which affects foreign investors and indigenous companies, is causing concern among economic regeneration bodies.

Nuclear jobs cut by 2,000

By Michael Smith

Nuclear Electric, state-owned generator, is to cut up to 2,000 jobs, more than 20 per cent of the total, in the next three years.

The company attributed some of the cuts to a recent decision by the industry regulator to cap prices in the wholesale electricity pool which it said could depress 1995-6 profits by up to £200m.

The company also said it had to compete against private sector generators who have cut their staff by more than a half since privatisation four years ago. The planned cuts will lead to a provision in the company's 1993-4 accounts. The company could not say what the provisions would be, but a total of more than £150m seems likely.

This will partly offset the effect of a sharply improved operating performance, where losses have been reduced to £224m from £564m in 1992-3 (excluding the effects of the nuclear levy).

The job losses are the latest in a series in the nuclear industry. Last month British Nuclear Fuels announced it intended to cut 2,000 from the 7,000 jobs at its Sellafield reprocessing plant in Cumbria over the next five years.

Nuclear Electric has already cut nearly 5,000 from its 14,200 total of four years ago.

Yesterday's announcement came three days after the company called for ministers to privatise it as it published a submission to the government's nuclear review.

Union leaders said yesterday that in cutting so many jobs the company was trying to show that it could be as tough as the other electricity companies which were privatised four years ago.

"Workers seem to be the victims of a vicious circle of job cuts in which power companies vie with each other to see who can shed the most amount of labour," said Mr Mike Jeram, head of electricity at the Unison public services and utilities trade union.

Mr Danny Carrigan, national officer of the Amalgamated Engineering and Electrical Union, said he was astounded at the scale of the cutback which had been announced.

In a letter to staff yesterday Mr Bob Hawley, Nuclear electric chief executive, said the company had to continue to reduce costs following the pool price cap.

"We need to ... make good some of this loss to achieve our goal of being the lowest cost generator."

Queen to lose royal yacht Britannia in cuts

By Bruce Clark, Defence Correspondent

The Queen will be doing her bit to trim Britain's defence costs by renouncing her right to free private travel in Royal Air Force planes and giving up the royal yacht Britannia, it was announced yesterday.

On the relatively rare occasions when the Queen or her family use RAF aircraft for purely private purposes, they will in future reimburse the Ministry of Defence for the cost, according to an MoD statement.

The 41-year-old Britannia would be taken out of service in 1997 and the government would consider whether or not the floating palace ought to be replaced.

Queen Elizabeth, who is commander-in-chief of all Britain's armed forces, is understood to feel that a yacht is no longer necessary for the purposes of royal travel alone.

However it is still possible that a new vessel will combine royal service with more prosaic tasks - such as promoting British trade abroad.

The vessel's running costs, at £9.2m in the last financial year, amount only to a tiny fraction of the annual defence budget of about £23bn, but to have kept the yacht in service for another five years beyond 1997 would have required a £17m refit.

Disc journey planner a first

By Charles Batchelor, Transport Correspondent

Travellers in the north-west of England will be able to plan their bus and train journeys on their home computer following the launch of a disc-based journey planner by Cumbria County Council.

The computer programme helps people find the most convenient journey by giving the departure, arrival and connecting times for trips within the county and to main destinations outside such as Manchester and Glasgow.

The council hopes that the disc, which costs £2.50, will be used by information centres, libraries, bus operators and hotels as well as local people and visitors with access to a home or office computer.

The programme lists 980 destinations and includes the timetables of more than 80 local transport operators. If the pilot is successful the council plans to update the disc every six months for the general public and monthly for commercial organisations. The pilot scheme has cost £8,000 to develop.

Further refinements which may be added if the pilot is successful include allowances for road works and diversions, estimated walking times in town centres and between railway platforms and details of bus boarding points.

The disc is the first in the UK to include both train and bus times although BR has produced a disc of its nationwide timetables for the two past years. It sells about 4,000 copies at each six-monthly update. Individual copies cost £41 or £45 depending on the system used.

Disc-based journey planners are also in use by the railways in the Netherlands, Norway, Finland and Denmark and by two Danish bus companies. A disc covering all forms of public transport is also available in the Netherlands.

The Cumbrian planner has been produced by CVI, a Dutch company specialising in transport information systems, and Logan Interactive, a Scottish computer systems and applications company. It can be used on 8086, 286, 386 and 486 IBM PCs or on IBM-compatible computers running MS DOS.

Major and Reynolds may agree N Ireland framework by mid-July

Ulster peace accord close

By Philip Stephens in Corfu and Tim Coone in Dublin

Mr John Major and Mr Albert Reynolds were on course last night to agree by mid-July the framework for a comprehensive political settlement in Northern Ireland.

As the British and Irish prime ministers prepared for bilateral talks at the European Union summit in Corfu, senior Whitehall officials voiced confidence that they could clear the remaining roadblocks to the agreement before next month's Anglo-Irish summit.

Despite continuing differences over the shape and authority of proposed new joint boards to enhance cross-border co-operation and over repeal of Dublin's constitutional claim to Ulster, the officials said Mr Major was determined to find a formula to bridge the remaining differences over the "constitutional balance" of the accord.

The escalation of sectarian violence in the province – underlined by last week's murder of six Catholic men watching football in their local bar – has added further impetus to the search for an accord.

Prime Minister John Major leaves Downing Street yesterday for the Corfu summit

Once agreed the framework document – covering relations between London and Dublin, cross border co-operation and outline plans for a new assembly in Northern Ireland – will be presented as the basis for renewed talks between the constitutional parties.

It is understood that Britain has rejected any suggestion that new North-South institutions could imply "joint authority" over the province.

The Ulster Unionists, whose co-operation is a prerequisite to an eventual settlement in Northern Ireland, are determined that the Dublin government is not given constitutional authority in the administration of Ulster.

But Mr Major is prepared to see the creation of cross-border executive boards to oversee a common approach in areas like transport, energy, agriculture and tourism.

The creation of such boards – whose precise powers would be decided in consultation with the constitutional parties – would acknowledge the two governments had a "shared interest" in the economic development of the province.

The Irish foreign ministry wishes the boards to have "executive powers," embracing the main areas of economic activity of mutual concern to the two parts of the island.

For his part, Mr Reynolds is arguing that a commitment by the Dublin government to amend or repeal articles two and three or the Irish constitution must be contingent on an overall political settlement acceptable to nationalists as well as unionists in Ulster.

With officials on both sides stressing last night that the framework document would not be overly "prescriptive", there appeared scope for the differences to be finessed by careful language.

The framework document is expected to reaffirm that the present arrangements for inter-governmental co-operation between London and Dublin should remain in place although a new political settlement would in practice supersede the 1985 Anglo-Irish agreement.

Blair's Labour vision targets consumers

By Kevin Brown, Political Correspondent

Mr Tony Blair yesterday held out a vision of Labour as the party of national renewal in his personal manifesto for the contest to succeed John Smith.

The 20-page manifesto promises a modernised Labour party committed to consumer rights in a market economy, shunning interventionism, nationalisation and economic isolationism.

There are few specific policy commitments in the paper, which was accompanied by a four-page colour brochure aimed at the 4.3m voters in Labour's leadership election.

The social democratic language of the manifesto does open up a clear ideological gap between Mr Blair and the two traditional socialist candidates – Mrs Margaret Beckett, acting leader, and Mr John Prescott, employment spokesman.

Mr Blair said he was seeking to modernise Labour's traditional values, rather than abandon them. Supporters of the two leftwing candidates said he was scrapping the party's basic principles.

The manifesto says that the market economy is in the public interest, and indicates that a Blair government would limit intervention to "developing and guiding" industry in areas such as technological innovation and research and development.

It endorses Labour's policies on progressive taxation, devolution, education and training, parliamentary and local government reform, crime prevention, minimum wages and the European Union, including lukewarm support for a single currency.

Mr Blair, the shadow home secretary, is the runaway leader in the leadership contest, which will be decided on July 21.

Compact disc prices 'are not excessive'

By Michael Skapinker, Leisure Industries Correspondent

Monopoly situations exist in both the music production and retailing industries, but neither operates against the public interest, the Monopolies and Mergers Commission said yesterday.

The commission, which published its report on the UK music industry yesterday, found that prices of compact discs in the UK were not excessive. It said prices were "set at levels determined by effective competition in the UK market."

The commission said that the five leading music companies form a complex monopoly, which means that they engage in practices which prevent, restrict or distort competition. The five – EMI, PolyGram, Sony, Warner and BMG – account for about 70 per cent of the UK market.

Among the practices referred to by the commission are restrictions on parallel imports, which allow music companies to block imports of their own products from abroad.

The commission said lifting restrictions on parallel imports would be contrary to the European Community rental directive and would increase the risk of music piracy. It said it did not think freer imports of music would result in lower prices.

The commission said the music companies' complex monopoly did not operate against the public interest.

The commission said that, in record retailing, W.H.Smith and its subsidiary Our Price constitute a scale monopoly, as they supply more than a quarter of the market. However, it added that W.H.Smith, which accounts for 26.6 per cent of UK music sales, operated in a competitive market and did not make excessive profits.

Britain in brief

Clarke puts tax cuts on back burner

Mr Kenneth Clarke, the chancellor of the exchequer, yesterday put tax cuts on the back burner by warning the cabinet that reductions in public spending would be "extremely tough."

Facing renewed right-wing calls for early tax cuts to restore Tory party popularity, Mr Clarke told ministers not to underestimate the difficulty of achieving existing forecasts.

Backed by Mr Michael Portillo, the chief secretary to the treasury, Mr Clarke said that all the obvious targets for cuts had been tackled in last year's public spending round.

The chancellor's warnings, delivered at the beginning of a one hour debate on public spending, forestalled any discussion of tax cuts by the cabinet's right-wing minority.

Price shadow over recovery

The UK industrial recovery remains on track, but growing numbers of manufacturers expect to raise prices over the next four months, according to the latest Confederation of British Industry monthly industrial trends survey.

The survey, published today, says that companies' price expectations rose in June, after several months in which price expectations have been fairly flat.

Around 21 per cent of companies questioned hope to increase domestic prices over the next four months, while only 9 per cent expect to reduce them.

This positive balance of 12 per cent who expect to raise prices is significantly higher than in the months between February and May, when the balance ranged between minus 1 per cent and plus 4 per cent.

'Nutter' jibe costs £100,000

Mr John Patten, education secretary, yesterday faced Tory rank-and-file calls for his dismissal after he was faced with paying almost £100,000 in settlement and costs for calling Professor Tim Brighouse, Birmingham's chief education officer a "nutter".

Many Conservative MPs privately urged the minister to resign before the prime minister's forthcoming cabinet reshuffle, describing his remarks as "deeply embarrassing" and lacking judgment.

Go-ahead for gas project

The government gave the go-ahead to one of the largest offshore gas developments since 1990.

It approved British Gas' £600m plan to develop the Armada complex, which includes the Drake, Fleming and Hawkins fields.

They lie in the central North Sea off Scotland, close to the Norwegian sector.

The fields will produce about four per cent of the UK's requirements.

Institutions invest £479m

The recent resurgence in the commercial property market has been underlined by new figures showing that UK pension funds and insurance companies invested a net £479m in property in the first quarter of 1994.

The net investment in the first three months of the year was more than 90 per cent of the total net investment in 1993, which was £520m, according to the Department of Trade and Industry.

The intense buying activity in the first half of the year has given way to a quieter second half, as the turbulence in the bond market has spilled over into the property market.

Exchange probes up 60%

The number of investigations carried out by the London Stock Exchange into possible breaches or trading and reporting rules rose by over 60 per cent last year.

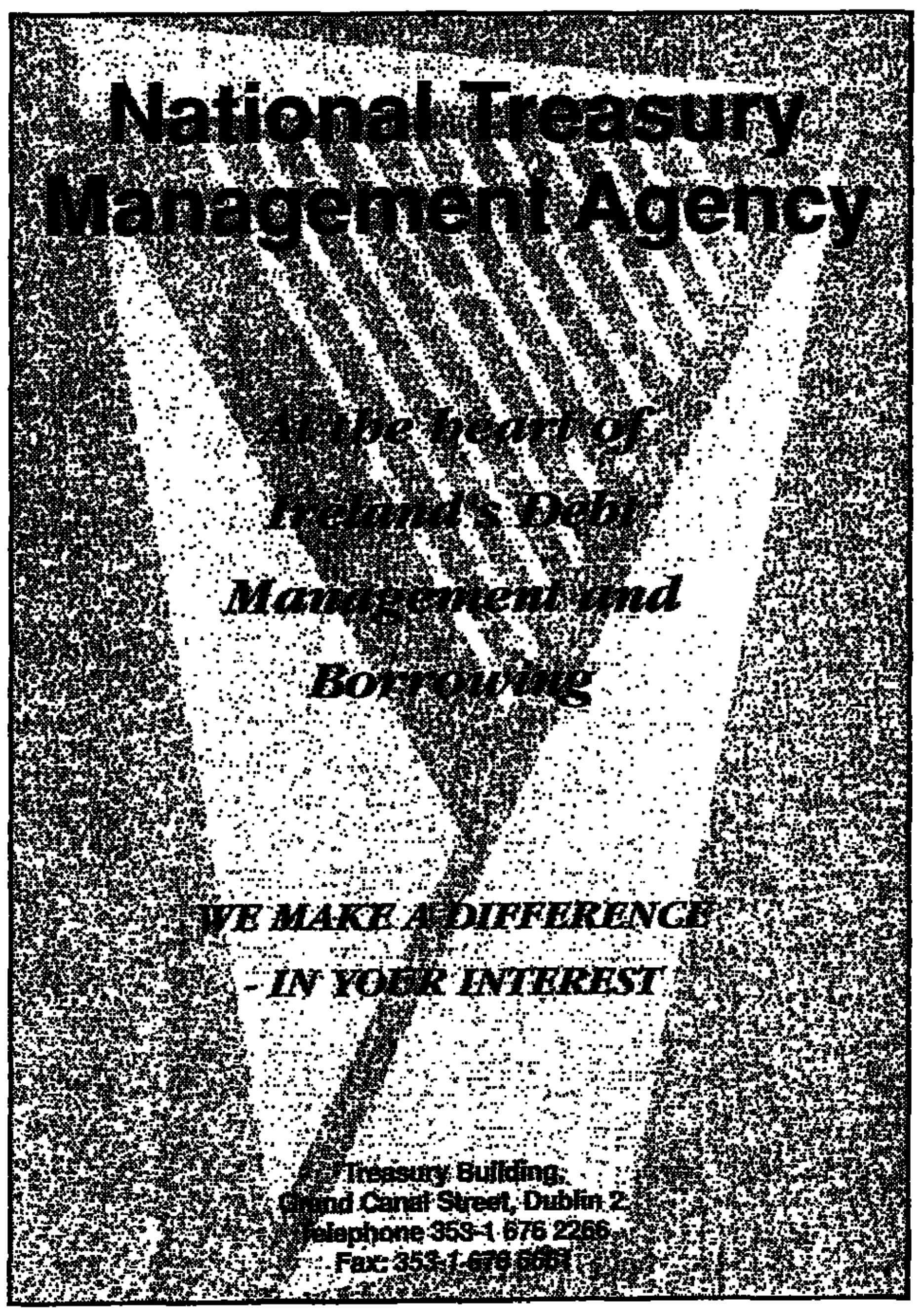
Its market supervision department carried out almost 500 investigations into possible rule breaches of trading and reporting rules – compared with just over 295 in 1992-93.

Legal actions may cost £1bn

Insurance companies could be spending up to £1bn a year on legal actions, a leading firm of solicitors claimed yesterday. Mr Paul Taylor, a partner with Berrymans, said the cost of litigation was rising sharply and many insurance companies were becoming concerned.

New Cellnet MD from IBM

Mr Howard Ford has been appointed managing director of Cellnet, the UK's second largest mobile phone operator. He moves from IBM, where he was responsible for the group's personal computer business in Europe. Cellnet, a joint venture between British Telecommunications and Securicor, vies with Vodafone for dominance in the UK's cellular mobile industry.



Clive Cookson examines Russia's nuclear expansion programme, as it turns 40 today

A bittersweet celebration

Forty years ago today, the world's first nuclear power station – NP-1 – started to generate electricity behind a splendidly Stalinist architectural facade in Obninsk, a new science city built in the birch forests 100km south of Moscow.

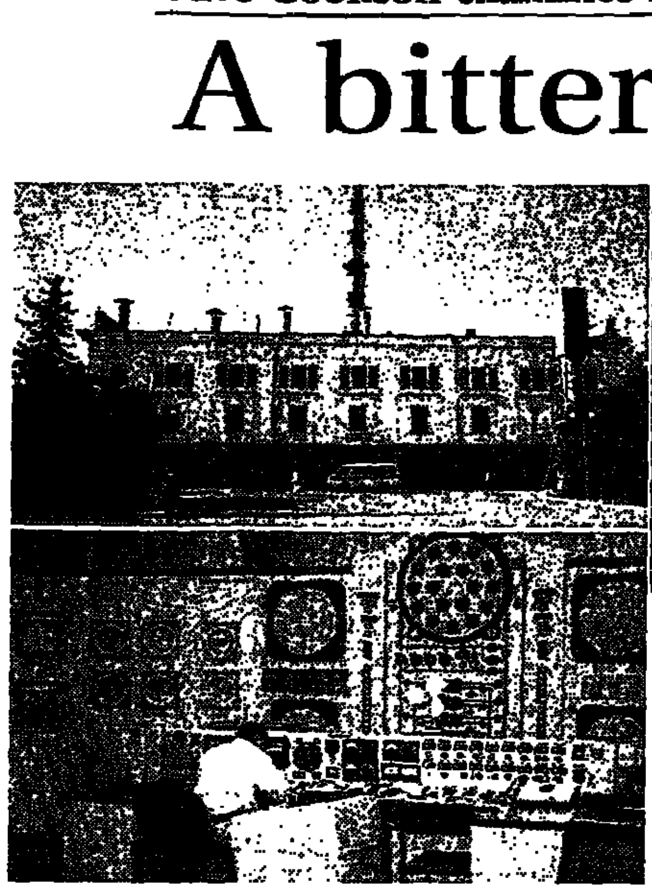
For Russia's sprawling nuclear industry, the 40th anniversary celebrations have a bittersweet flavour. The older generation retains proud memories of the Soviet triumph in the post-war race to use "atoms for peace" but for the younger scientists and engineers these are almost obliterated by today's problems.

Like all the vast state enterprises inherited from the previous regime, the nuclear industry is desperately short of funds. "The nuclear power sector is owed 500bn roubles ($250m) simply because consumers have not paid their bills," says Victor Murogov, director of the Institute of Physics and Power Engineering (IPPE), the nuclear development centre in Obninsk.

On top of its specifically Russian problems, the industry suffers from the worldwide perception of nuclear power as an energy source that is at best stagnant and at worst dying. And Chernobyl – a direct descendant of Obninsk's NP-1 – is an extra burden to bear.

It would be a mistake, however, to regard the Russian nuclear industry as being in terminal decline. It continues to run on a vast scale and has immense staying power – symbolised by NP-1, relegated from electricity generation to a research reactor but still operating today at its original 1954 rating of 30 MW thermal power.

According to Rosenergoatom, the Russian nuclear utility, the country's 29 power-generating reactors produced 119bn kWh of electricity in 1993 – the same as the three previous years – with a load factor that compares creditably with western levels. It even managed to commission a new reactor, a VVER-1000 pressurised water reactor at Balakovo.



Top left:
The facade of NP-1, the world's first nuclear power station, in Obninsk.

Bottom left:
The control room of NP-1

Above:
The dacha of Ivan Kurchatov who led the NP-1 design team.

The Russian atomic energy ministry has ambitious plans for nuclear growth over the next 20 years. These involve building about 30 new reactors, both to replace old plants and to expand the country's nuclear capacity.

The first steps will be to complete two reactors now in the final stages of construction. Lev Kochetkov, a senior IPPE scientist, says another VVER-1000 unit is on course to start up at Kalinin next year, followed – more controversially – by the last Chernobyl-style RBMK unit at Kursk in 1996.

At the same time, the final stages of design work are taking place for reactors whose construction is due to start during the late 1990s.

IPPE is responsible for developing fast breeders – reactors intended originally to "breed" new nuclear fuel in the form of plutonium as they burn uranium. Fast reactors have lost favour in the west as the world builds up a potentially dangerous stockpile of surplus plutonium. However, the Russian plan includes five 800 MW fast reactors of a new design, the BN-800. The first is due to be built at Chelyabinsk in the South Urals.

Kochetkov points out that a 600 MW fast breeder, the BN-600, has run safely and efficiently at Beloyarsk since 1981. Last year its availability rating was 80.6 per cent – considerably better than the 76 per cent achieved by Russia's nuclear plants as a whole. "I believe the fast reactor is intrinsically safer than a conventional thermal reactor but it is not easy to convince even the specialists of that," he laments.

To answer the criticism that fast reactors will produce more unwanted plutonium, IPPE engineers have re-designed the BN-800. "The original design produced 30 per cent more plutonium than it burnt," Kochetkov says, "but the final design has a breeding ratio of about one; that means the amount of plutonium built up will be no more than the amount burnt. We could continue that process to cater for public perceptions of the dangers of nuclear proliferation, so that the reactor consumed more plutonium than it produced."

Another way of disposing of surplus plutonium – which is more popular in the west than burning it in fast reactors – is to combine it with uranium and burn the resulting "mixed oxide fuel" or Mox in PWRs. IPPE is putting the final touches to a new facility to test Mox fuel elements. But Kochetkov does not hide his reluctance to go down the Mox road: "The IPPE directorate believes it is more profitable to use the plutonium in fast reactors."

Outside observers believe the Russian nuclear expansion programme as a whole is far too grandiose to be practical. Russia itself could not possibly raise internally the tens of billions of dollars that would be required to carry out the plans on the scale proposed; western donors are far more interested in making the existing Russian nuclear industry safe than investing in its expansion. Yet a severely reduced version of plans might be credible – and even that would be the envy of the stagnant western nuclear industry.

Meanwhile, the fragmented Russian industry, with its many duplicated facilities, is forced to compete within itself for scarce orders and funds, both from within Russia and from the west. The main competition for IPPE is the Kurtchatov Institute, the nuclear development centre in Moscow.

The international profile of IPPE would be raised enormously if it wins a bid recently submitted to the European Bank for Reconstruction and Development in London for $45m to build a nuclear safety centre at Obninsk. The proposed centre – a joint venture between IPPE and Rockford Technology, a Canadian company based in Vancouver – would concentrate on training the operators of Soviet-designed reactors, using the latest techniques of computer simulation.

"The human element is the weakest link in Russian nuclear safety," says Mark Prelas, a nuclear engineering professor at the University of Missouri in the US, who is a regular visitor to nuclear plants in the former Soviet Union. "The most economical way to improve safety by an order of magnitude is to provide a standard training programme for engineers and operators of power plants. Russia currently has no such standards because the industry is so fragmented; there are well-trained groups but no overall standards."

The Russian nuclear industry inevitably has mixed feelings about western safety concerns. Most of the engineers who designed the current generation of reactors remain proud of their work and believe western anxieties are greatly exaggerated. At the same time they are keen to take advantage of those fears to attract western funds.

While the industry waits for large-scale western aid to pay for safety improvements, it is beginning to sell its services abroad. For example, radio-isotopes for medical diagnosis and treatment are in short supply in the west, following the closure of many of the research reactors that used to produce them in the US and Europe: Russian reactors such as those at IPPE are now making up the shortfall.

"Our income from abroad has grown three to four times over the past year, with very beneficial contacts for the institute," Murogov says. "The mentality of our scientists has had to change drastically; for the first time in their lives they have to think about the application of positive results."

Not all the foreign business goes directly to the state-owned nuclear institutes. Some goes to the private companies being formed by their staff. IPPE, for example, has spawned Brand Engineering, named after the Brothers Androshenko who founded it, which is selling computer programming services.

IPPE plans to continue running its first nuclear reactor until its 50th anniversary, if it passes a thorough safety review scheduled for 1997. It remains to be seen whether NP-1 will still symbolise the power and continuity of the Russian nuclear industry early in the next century, or will seem then like a quaint historical relic.

Worth Watching · Clive Cookson

Science research unit for RHS

The Royal Horticultural Society, best known for its flower shows and gardens, is to form a substantial scientific research department. The RHS has appointed its first chief scientist, Sarah Ball, and plans to build a new Centre of Horticultural Science at its main garden, Wisley, in Surrey.

Ball, a plant pathologist, wants to re-establish the worldwide scientific reputation that the RHS enjoyed in the 1920s and 30s. By the early 1990s it was devoting only 3 per cent of its income to science. The long-term plan is to increase that to about 10 per cent – giving Ball a budget of more than £1m a year. RHS scientists will focus on issues of particular interest to non-commercial gardeners.

RHS Wisley: UK, 0483 224234.

Energy traders get integrated

Oil and gas traders, who have had to work with a proliferation of on-line information sources, can now combine them all in a single PC-based workstation. Saladin, a UK-based energy information company, this week launched Crusader, a software product designed to integrate real-time market sources and prices with historical data on one terminal.

Integration in this way offers two main advantages. First, the trader's office becomes physically less cluttered. And second, the combined terminal can carry out data analysis, including forecasts of future price movements, which would be much more difficult with individual sources.

Similar software exists to integrate the mainstream financial information sources, but Saladin says that energy trading stands out for the sheer number of different sources available.

Crusader will cost about £2,000 a month for a five-user system.

Saladin: UK, 0932 243232.

Portable message from the heart

A portable heart monitor developed by Colby Medical, a small UK company, will make it possible for family doctors and health clubs to screen large numbers of people for signs of heart disease.

The Colby 1907, powered by rechargeable batteries, gives a wide range of electrocardiogram and other respiratory and heart readings, similar to those from an ECG machine at a specialist clinic. Readings can be downloaded to a personal computer or sent by telephone to a specialist for a second opinion.

The cost to the end-user is under £1,000.

Colby Medical: UK, 0277 811171

Metal and bone join forces

It sounds at first like an unlikely investment for a Japanese metals company: Kobe Steel's European venture capital arm is to take a 33 per cent stake in Promotus, a Swiss company developing a bio-material for bone implants and artificial hip joints.

But Kobe is itself a manufacturer of conventional metal hip joints and is attracted by the potential of Promotus's new material, Proplast. It is soft and extremely porous – made from an open matrix of PTFE (a high performance plastic) coated with hydroxyapatite (the mineral in bone).

The Promotus implant has a coating of Proplast over the metal stem that fits into the central cavity of the patient's thigh bone. This has two advantages over conventional hard implants, according to the company: it acts like a shock-absorber, allowing natural "micro-motion" to take place in the artificial joint; and it encourages the body's own connective tissues to grow into the stem and make it more stable.

London Oxford & Kobe Development Company: UK, 071 836 1225.

PROPERTY

Trials and errors

Has the sector learnt from its mistakes, asks Vanessa Houlder

At the mid-summer point four years ago, the cracks in the property industry were only just emerging. New developments were still being launched, rents were rising and, despite the tightening of interest rates, many optimists believed the economy would make a "soft landing".

But when the Gulf crisis broke out in the first week of August – the week I began to write about property for the FT – the cracks began to widen. Deals went on ice, investors lost heart and the huge overhang of bank debt threatened to bury the industry.

The years that followed were some of the most nerve-wracking seen in the industry. The downturn – the most damaging since the second world war – proved more severe than anyone had expected, crushing companies, ruining careers and costing banks and shareholders billions of pounds. The upturn, when it finally came last year, was frenetic.

The fall-out from the crash went beyond the property companies and the banks which lent to them. Company balance sheets were also weakened, towns were blighted by empty, boarded-up property and the construction, architectural and surveying industries lost thousands of jobs. Even the Church of England cut stipends as a result of its investment managers' ill-fated forays into property development. It is no wonder the industry has a tarnished image.

But its fundamental importance – of providing commerce and industry with adequate premises – has been obscured by its errors, chiefly the squandering of billions of pounds in unwanted developments.

The rigidity of the UK lease structure has also blighted many businesses, particularly small companies which discovered they were liable for the unpaid rent of companies to which they had assigned their leases. The tradition of lengthy leases, with upwards-only rent reviews, means that landlords are often seen as passive rent collectors rather than companies servicing their customers' needs. The government is examining the possibility of reforming the structure of leases.

As an industry that hinges on deal-making, the property market revolves around its leading personalities. As a result the blame for the instability and short-sightedness of the industry rests largely with the way its foremost figures operate.

A steely ambition and self-belief that is the essential characteristic of most property entrepreneurs resulted in too many speculative buildings in the 1980s. Developers, blinded by an overweening belief in their projects, would see no obstacles: indeed the ability constantly to look beyond immediate hurdles and risks is an essential attribute of developers, who often spend years piecing together sites, winning over investors and overcoming planning problems.

One of the inherent risks in the industry is the long lead times involved between the conception and completion of a building. As long as the government fails to smooth the cyclical nature of the economy, property developers will continue to be prone to the disrupting effect of economic booms and busts.

The UK's planning regime is also widely seen as a contributory factor behind the industry's problems. The *laissez-faire* planning policies of the Thatcher years are widely blamed for the surplus of space – particularly in places such as the London docklands, where some 4m square feet of office space remain empty. Moreover, the lax planning regime generated a glut of out-of-town developments that have – the government now concedes – had a damaging effect on town centres.

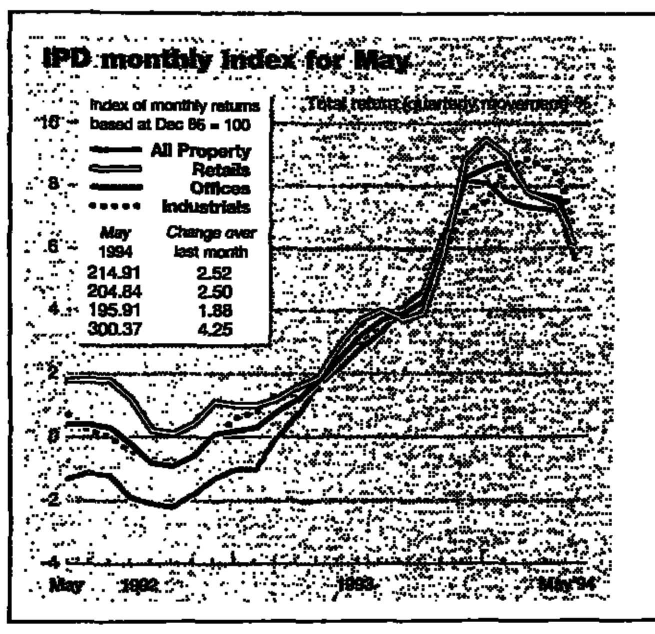
Banks, too, are culpable. Driven by deregulation, the globalisation of the banking industry and the loss of corporate customers to the commercial paper and bond markets, banks poured money into property with an insufficient understanding of the risks.

Nor have mainstream property investors acquitted themselves with glory – with a few notable exceptions. While the UK institutions did well to shun property at the start of the downturn, they failed to appreciate the opportunities at the bottom of the market, leaving the best deals to some astute German investors. After property values began to increase on the back of rising bond values last year, UK institutions re-entered the market, fuelling a sharp increase in prices.

Despite its recent uplift, the property market lacks much of its old ebullience. The absence of rental growth is a worry. Banks are still wary of lending to developers. Property dealers are keeping a close watch on bond markets, which could yet cause a nasty setback to parts of the market.

While the unease in the market pales in comparison with the nervousness of 1990, the experience of the past four years has taught people that the sector can be unexpectedly volatile. But how long before they forget?

This is Vanessa Houlder's last property column



The slowdown in the surge in property prices that began in late 1993 has been underlined by a second consecutive monthly fall in the IPD Monthly Index total return.

The total return for May was 1.2 per cent, the lowest monthly level since August last year. Capital growth was down to 0.5 per cent in May, the lowest monthly movement since April 1993 when yields started to shorten.

Over the past three months, the total return was 6.1 per cent, suggesting that the total return for 1994 is likely to be lower than the 7.8 per cent recorded in the quarter to March.

Total returns continued to slow across all three sectors in May reflecting a decline in the rate of capital growth. Industrials regained their lead as the best performing sector in May with a total return of 1.4 per cent.

Retail property slipped into second place with a return of 1.2 per cent, while offices showed a monthly return of 1.0 per cent.

In the year to May, the total return for the retail sector was 27.4 per cent, an increase of 0.8 percentage points over the year to April; the total return for the office sector was 25 per cent, a marginal improvement over the 24.7 per cent return for the 12-month period to April; the total return for industrial property was 26.6 per cent for the year to May, compared with 25.8 per cent for the year to April.

PEOPLE

Lining up on the starting blocks at Willis Corroon

Max Taylor, 46, is to take over as chief operating officer of Willis Corroon as part of a sweeping management reorganisation at the insurance broker.

The changes are designed to prepare for the retirements next year of Roger Elliott and Richard Miller, two men who helped bring about the merger between Willis Faber and Corroon & Black in 1990.

Willis announced yesterday that Miller, 62, will retire as chief executive on January 1 next year, and will become vice-chairman.

Elliott, now 61, will take over as executive chairman, focusing on worldwide business relationships, but it is understood that he will also seek to retire next year.

Taylor, who has been centrally involved in moves to introduce electronic trading to the London insurance market, is currently chief executive of Willis Faber & Dumas, the wholesale and reinsurance broking arm of Willis.

A Willis employee for more than 20 years, he will chair a new executive management committee which will direct day-to-day operations of the group. Its members are Richard Dalzell, 53, the group finance director, Brian Johnson, 51, chief operating officer of Willis Corroon Americas, George Nixon, 54, chairman and chief executive of Willis Corroon Europe, Donald Payne, 55, chairman and chief executive officer of Willis Corroon Americas, and Kenneth Pinkston, 51, who succeeds Miller as chairman of Willis Corroon Corporation, the group's US holding company.

Payne succeeds Frank White Jr who will remain with the group in another executive capacity. All appointments take immediate effect. The company also announced the formation of a nominations committee, which will be responsible for nominating candidates for the group board. This will be chaired by William Schreyer, the non-executive director who last year retired as chairman and chief executive of Merrill Lynch.

■ Robert Dixon and Martyn Hedley have been appointed deputy chairmen, Edward Moss md, and Michael Bone a director of Willis Faber & Dumas. Chris London is appointed chairman of its oil & gas division.

Dominic Cadbury to become chairman at The Economist

A new editor, a new chief executive and now a new chairman. Dominic Cadbury, 54, executive chairman of Cadbury Schweppes, is to take over from Sir John Harvey-Jones as chairman of The Economist Newspaper, parent of the weekly business magazine which has just celebrated its 150th anniversary.

The Economist's new chairman is the latest in a series of boardroom changes at the group which is 50 per cent-owned by the Financial Times. Bill Emmott took over as editor when Rupert Pennant-Rea left to become deputy governor of the Bank of England and Marjorie Scardino replaced David Gordon as chief executive following his move to be chief executive of ITN.

The Cadbury family have been shareholders since 1929 and Dominic Cadbury has been on the board since 1990. He will succeed Sir John after the agm on July 12. Sir John, who retires having turned 70, took over from Sir Evelyn de Rothschild, whose family owns 20 per cent of the company.

Under Sir John's seven-year tenure, The Economist's profits have risen by 50 per cent. Last year, the group increased its pre-tax profits by 22 per cent to £15m on the back of a 8 per cent rise insales to £121m. The average circulation of the weekly magazine rose by 9 per cent to a record 549,000.

Wm Low loses property director

William Low, the Dundee-based food retailer, has been having an unhappy time of things recently, and the departure this week of property director Ramsay Johnson may not hearten spirits.

With its margins squeezed by the continuing supermarket price war conducted by its larger rivals, Low reported in April this year that operating profits fell by more than 25 per cent in the six months to mid-March.

Other recent gloom has been a 10 per cent cut in head office staff, and a decision to scale back plans for new retail space, from the intended 80,000-100,000 square feet per annum to not more than 40,000. Traditionally strong in Scotland, Low responded to the price war last September, by announcing its own "500 prices down" promotion.

Perhaps it is not surprising therefore that yesterday Harvie Findlay, finance director, would add nothing to the company's formal statement about Johnson's departure, which noted that "bearing in mind the reduced level of activity in property development in retail and non-retail assets, no successor is being appointed in the meantime".

Jorsling in the hot seat

The London Fire and Civil Defence Authority has a new chair, Judith Jorsling, 44. A Labour councillor for the London borough of Newham, Jorsling was previously the LFCDA's deputy leader; she is both the first woman and the first black person to become the authority's leader.

The LFCDA is responsible for the work of London's 8,000 firefighters and administrative staff – there are some 6,500 uniformed firefighters – and in the fiscal year 1994-95 has a central government-funded budget of some £255m.

Jorsling came into politics via a familiar route, through community-based projects in Brixton and later Newham – assisting the self-development of disadvantaged groups, setting up a tenants' association, and eventually becoming a Newham councillor in 1986. The LFCDA comprises representatives from each of London's 32 boroughs, plus one from the City.

Jorsling says she feels "extremely honoured" to have been chosen for the position. "So often in politics you find yourself wanting a certain position or function – it's very nice to be chosen by your colleagues for something as important as this."

Alan Cane reports on the popularity of a controversial business tool in the UK

Re-engineering's all the rage

A majority of the UK's large companies claim they are already in the throes of business process re-engineering, the iconoclastic technique which promises ambitious performance improvements for companies prepared to undertake the drastic changes involved.

In essence, BPR involves rethinking the way a company does business – or any part of its business – from the beginning, cutting out unnecessary stages and using information technology where appropriate to improve efficiency. It is necessary, management experts say, to give the improved performance necessary to remain competitive.

There are substantial risks involved – it can be likened to rebuilding an aircraft in flight – so it is perhaps surprising that surveys, carried out by the Cranfield School of Management, and by the management consultancy Price Waterhouse in collaboration with the Financial Times, indicate separately that between 60 and 70 per cent of big companies claim to have undertaken, or are about to undertake, BPR. Even more surprising, only 7 per cent in the PW/FT survey saw it as a leading cause of business instability.

The surveys indicate that IT directors may be enjoying a new prominence after a spell in limbo when their projects failed to deliver all they promised. Now they seem to be working with their chief executives to define and push through the changes needed for BPR.

Most of the companies canvassed said they were attracted to BPR because of the potential savings. The Cranfield study, carried out among 40 senior managers from a variety of business functions, listed cost reduction, cycle time reduction (doing things quicker) and improvement in customer satisfaction as the chief drivers. The PW/FT survey, an occasional poll of 100 chief executives, revealed that 79 per cent were looking for improved performance, while 35 per cent saw BPR as a means of cutting costs through, for example, staff savings. None of the respondents saw it as a waste of time or effort and 24 per cent said BPR was essential to survival.

Both surveys show that commitment to BPR from both the chief executive and the IT director is essential for success, but that support from the rest of the organisation is equally critical. The Cranfield study, directed by Chris Edwards and Ashley Braganza, observed: "The rest of the management team needs to support the proposed change if it is to work."

There is evidence, nevertheless, that senior executives are not spreading their commitment to other staff: "The organisation as a whole is barely aware of the existence of BPR when compared with the senior management," according to Cranfield.

It identifies this tendency for BPR to be seen both as an issue for senior management and, as an IT issue, as a substantial barrier to successful implementation.

Indeed, 38 per cent of respondents to the PW/FT survey believed the chief executive had been the main architect of BPR while 28 per cent gave the credit to the IT director. One respondent to the PW/FT survey said: "It would be difficult for IT to drive BPR. It must be generated from within the operational side of the business with IT providing support where possible."

A sound knowledge of the company, energy and a willingness to take a fresh approach are clearly needed. Some 60 per cent of those credited with leading BPR in their companies had been in post from one to three years. Thirty-five per cent had been there longer but only 5 per cent had been in post for less than a year.

Ringing the changes brings mixed results

It was seven years ago that a group of senior executives first recognised British Telecom's need to introduce what has become known as "process management": the replacement of activities fragmented between departments, businesses and geographic units by processes which span them. But the UK telecoms giant is still having mixed success with the approach.

This is partly because of the scale of the changes required in such a large organisation. But there have also been other reasons. For several years, BT's efforts at what has now generally become known as "re-engineering" were piecemeal. Nor were they linked to a revised corporate strategy. Top management took until 1992 to throw its weight behind the principle that BT needed to be re-engineered along process lines.

Among myriad other barriers within BT, according to a new study entitled Re-engineering: The Critical Success Factors*, "process management" has not yet been legitimised at BT by being integrated with the responsibilities and rewards of line managers.

BT has also had problems combining two approaches to re-engineering: focusing on selected complete "core processes", such as the ordering and provision of private circuits; or re-engineering service components, such as customer relations.

BT's very mixed experience with re-engineering is one of several company case studies examined in the report from Business Intelligence, which looks beneath the considerable consultancy hype of the last 18 months and probes the practical experience of American and British companies which have been striving to introduce re-engineering. Other companies studied include Lucas Industries, Pilkington Optronics, Reuters, Rank Xerox and Western Provident Association, a UK health insurance company.

The strength of the study is its comprehensive scope, and the rigour with which, unlike many consultants and their clients, it defines what re-engineering really is – or should be. Although "business process re-engineering" or BPR, has been dubbed "big people reductions" by some cynics – including within BT, which is slashing its workforce – the study stresses that it has little in common with conventional restructuring or "downsizing".

As the study argues, re-engineering can only succeed when it is accompanied by changes in corporate strategy, management methods, behaviour and culture. Combined with these, it becomes what some consultancies call "transformation".

The study distinguishes between two forms of re-engineering: what it calls "business re-engineering", which it defines as the – hitherto rare – re-engineering of entire businesses or organisations; and "process redesign", the narrower but still daunting reconfiguration of selected "core processes" which span departmental boundaries, such as order fulfilment and the development of new products.

Among a useful checklist of "risk factors" in re-engineering, the study warns that the frequent failure to carry out a thorough initial strategic review tends to result in the re-engineering of processes which have a trivial impact on overall performance. Re-engineering is useless, it says, for an organisation which has products, services or a philosophy of business which are losing touch with market needs.

Although many consultancies claim that the definition of core processes is the easiest part of re-engineering, the report warns that it can be both hard and time-consuming. It is difficult to form an accurate view of how work is actually performed when formal procedures have been replaced over the years by informal ones, the study says. Yet a failure to define core processes correctly can lead to disappointing results, since it prompts companies to target too few or too many processes.

Christopher Lorenz

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Families' foreign assignments

Richard Donkin on the main issues when sending staff abroad

Roger is a senior manager in a large multinational energy company. A qualified petroleum engineer, his job had frequently taken him to many parts of the world but his suitcase-lifestyle had not interfered too greatly with his domestic arrangements.

His wife Ann, and three-year-old daughter, Bridget, were settled in their four-bedroomed house on a new estate near Kingston, Surrey. Today they are in a new home – a rented bungalow with gardeners, a maid and a guard that is nearer Kingston, Jamaica.

The posting was as sudden as it was unexpected. The job offer came and Roger accepted. Then he told his wife. To say she was unhappy about the prospect of uprooting everything to start afresh in a different culture would be an understatement, but marital loyality overcame her resistance.

The move meant she had to give up her own job as an oil company geologist. Her position is less senior than Roger's but only, perhaps, because of her decision to start a family. And although Roger's posting is ostensibly for two years, her company refused her request for a career break.

Roger is a big fish in his new job. His Caribbean island status, where he is frequently in the newspapers and mixing with government officials, is a world away from his previous life. But the letters home from Ann to her parents demonstrate that there is a cost – their daughter is not easily adapting to her new surroundings.

The difficulties associated with conflicting career paths of men and women are increasingly recognised as one of the biggest obstacles to international job transfers. A study by Monks Partnership, remuneration advisers, looking solely at job transfers in Europe, has found that partners' dual careers are seen by their employers as the most common difficulty to overcome before transfers can take place.

An increasing number of companies are responding by providing career counselling for the spouse, says the report. Researchers discovered some examples of executives moving close to airports so they could commute to work abroad. Companies tend to be against splitting families because it often leads to assignment failures.

The greatest difficulties, says the report, arise when both partners have jobs of equal status. The survey, covering 1,000 work transfers among 30 multinational companies, found that employers put dual-career families ahead of children's education and language barriers in their perception of problems that needed to be overcome.

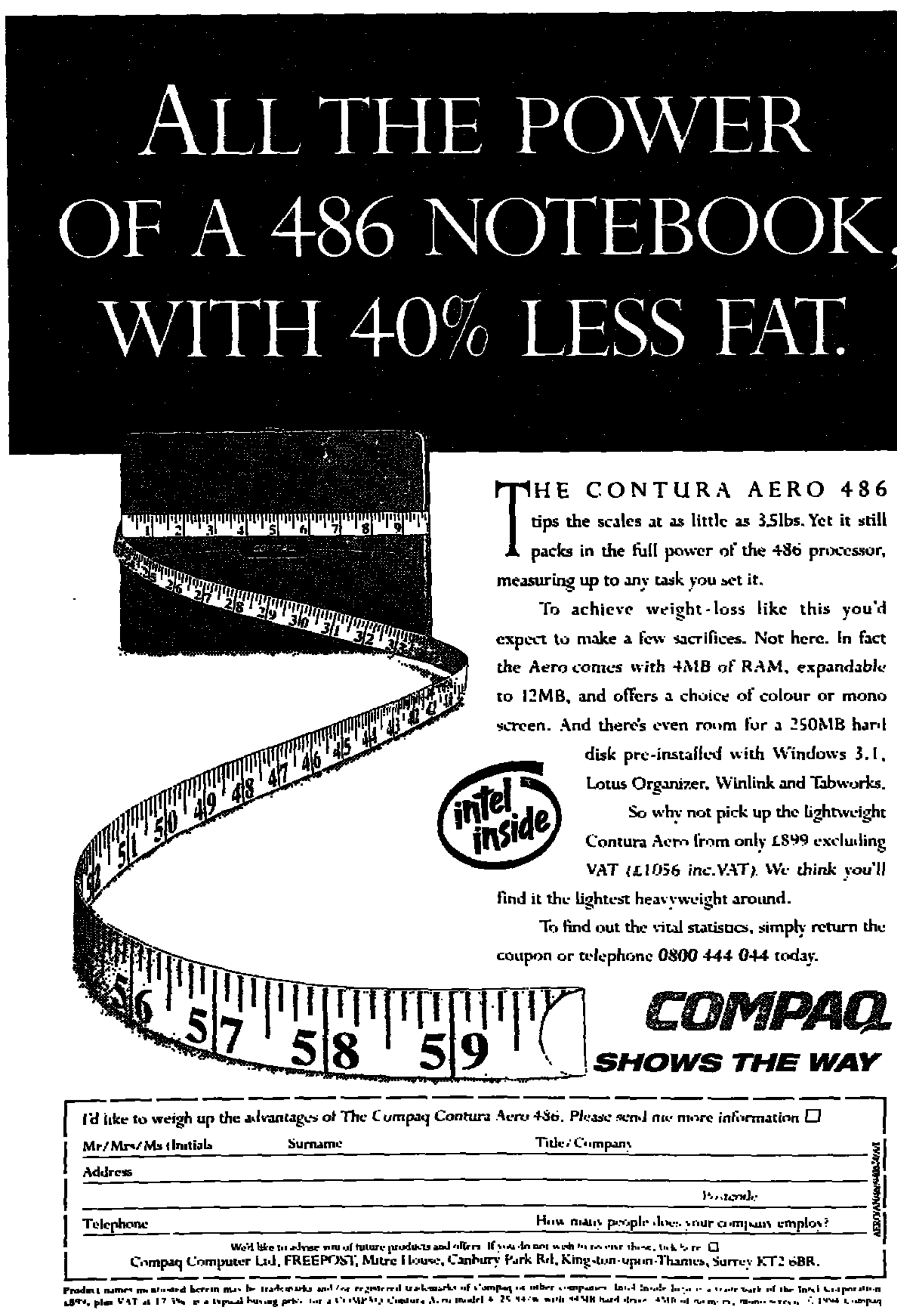
The results show a marked change from those in a similar survey last year which found that cost of living considerations dominated company concerns.

David Atkins, the report's editor, says: "As inflation has gradually been reduced in European economies the fear of rising prices and different costs of living in these countries has disappeared." The report found that 40 per cent of the companies were willing to assist with boarding school costs in the home country and, depending on the length of the assignment, more than 60 per cent of the companies surveyed would assist with day school fees in the new country.

Nearly all companies would pay for language training for the executive and 90 per cent would pay for lessons for the whole family. More than half the companies said they would also provide some cultural familiarisation training.

The findings are supported by recent research at Shell International which found that dual career considerations were a growing issue, particularly among employees aged under 30. "The trailing spouse makes the sacrifice and all the satisfaction lies with the working partner," said Mike Coughley, a Shell human resources manager.

Management Moves in Europe, Monks Partnership, Debden Green, Saffron Walden, Essex CB11 3LX, price £195. Tel: 0371 830939.



Gleam of gold from the tombs of the Greeks

Gerald Cadogan admires jewellery at the British Museum

For the next four months London offers an alternative gold show to the chunky, self-important British Crown Jewels. The pieces in *Greek Gold: Jewellery of the Classical World* at the British Museum are light, charming and intricate. And, unlike the symbols of state the Tower of London guards, these gorgeous diadems, earrings, necklaces, pendants and wreaths have a human scale and constantly allude to Aphrodite, golden goddess of love.

The Metropolitan Museum of Art in New York, the State Hermitage in St Petersburg and the BM have combined the best pieces of their permanent collections to create a feast of Greek jewellery of 500 to 300 BC. They are micro-masterpieces of gold, mostly from the fringes of the Greek world. The special treat is the Hermitage collection of treasures from tombs in Greek cities in the Crimea and the north coast of the Black Sea which otherwise we must go to Russia to see.

The exhibition gives a new view of the Greeks, taking one away from Athens and the familiar restrained emotion of classic Athenian art. Perhaps the Athenians had jewellery like this. If they did, we know little about it, apart from some in the exhibition from a tomb that Lord Elgin (of the marbles) had dug in Peiraeus. But on the whole the Athenians tried to stop people being buried with luxurious grave goods.

That was not the attitude of the still developing societies at the edges of the Greek world, a diaspora that stretched from Spain to the Black Sea. Most of the pieces (which were generally acquired a long time ago) are from tombs. In the fringe regions women – and men – clearly believed that they could take all it with them and their power and prestige would last for ever. The Athenians would probably have said that this was a shocking abuse of capital which should be recycled to the children.

But conspicuous consumption in burial by an emerging society was a custom that had begun a millennium before with the gold found by Heinrich Schliemann in the royal graves at Mycenae (now a glory of the National Museum in Athens). The Hermitage jewellery comes from the rich Greek cities of the Crimea and the Cimmerian Bosporus, where the Greeks faced the Scythians as friends or foes.

Colossal wealth went with the dead, whether they were true Hellenes or natives adopting Hellenic culture. One man took his weapons and 13 horses with their bronze trappings with him. He also had silver and bronze vessels, two gold necklaces and gold costume jewellery – bull's and ram's heads, sphinxes and lions – for sewing on to his clothes or his shroud. He shone with gold.

The woman in another tomb had two large pendants, probably worn on her clothes over her breasts. They are discs with the head of Athena Parthenos as designed by the sculptor Pheidias for her great temple on the acropolis of Athens, the Parthenon. An elaborate ivy-leaf border with green enamel filling and hanging wire scrolls and drops add to the luxury.

The ivy was the plant of Dionysos. Oak leaves point to Zeus. One wreath from a tomb in the Dardanelles has two cicadas among the leaves, and a bee to hide the joint where the wires which hold the leaves meet. But most allusions are to Aphrodite and the power of sex – not with the explicit scenes on Greek vases, but with a sophisticated delicacy matching the finesse of the craft – which tickles our imagination, just as it must have tickled theirs all those years ago. Two earrings from Macedonia have the eagle carrying off the beautiful young Ganymede. The heads of bird and boy are so close that they are almost kissing, the claw of one bird resting lightly on Ganymede's hip.

In classical times, in central Greece men might wear a ring, and a wreath as a badge of office. But in the east Aegean they wore more, following the habit of their non-Greek neighbours; and on the Black Sea they wore more still.

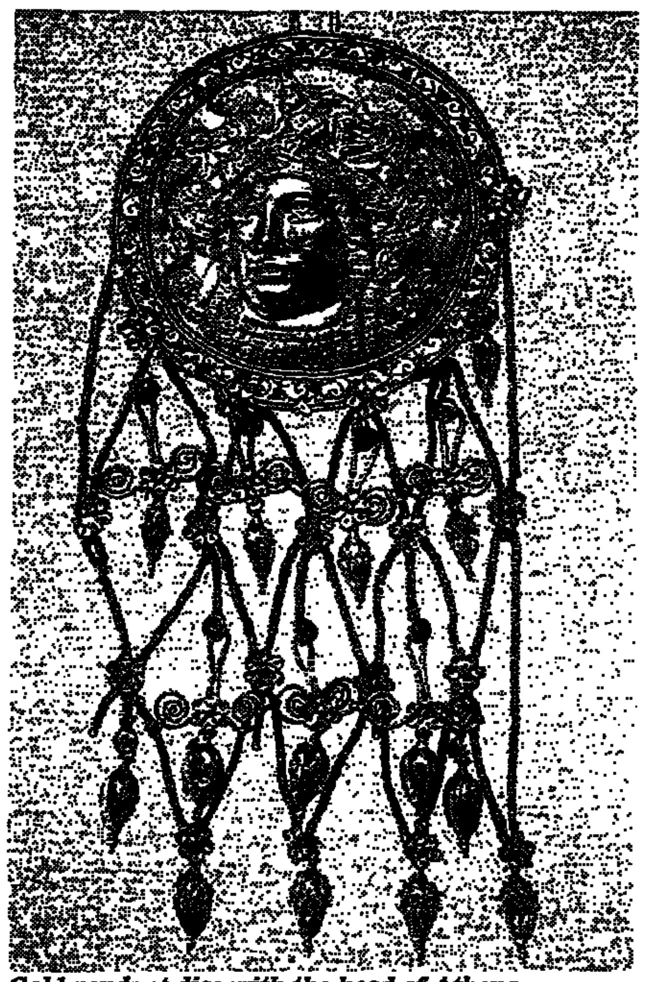
The exhibition fills out the picture of what it was like to be Greek – beyond the images of Athenians erecting temples and Socrates asking questions. Many Greeks clearly loved to dress up. Yet these jewels do not contradict the famous Greek maxim, "Nothing to excess", because they are almost all miniatures. They show how the top half of society could live, but they are not at all vulgar. The techniques are a revelation, using sheet metal, thin wire and tiny bobbles (granulation). Look closely to see how the craftsmen made straps by knitting many strands of wire, and hung pendants of fruit or faces from the necklaces.

Enamel inlays added colour, as in a pair of loop earrings with pendants of women's heads which show – in miniature – what they wore. In the hair is a high diadem like a tiara with relief palmettes and lotus flowers. Rosette shaped earrings are in the ears, the petals picked out in enamel. And around the neck is a choker of a double strand of gold beads with a pendant in the shape of a bull's head.

If you enjoy the show, the next stop should be the Thessaloniki Museum in northern Greece where the jewels from the royal graves of the kings of Macedonia found over the last 20 years are a yet more stunning display. They may be crown jewels, but they show the same traits as the jewels in this gem of a show at the BM.

Cartier has linked itself to these masterpieces of ancient craft and sponsored the show, winning a further £25,000 for it from the Business Sponsorship Incentive Scheme. The uncrowded display of the gold on purple cloth would grace any expensive jeweller's. The catalogue by Dyfri Williams and Jack Ogden is as superb as the jewels themselves.

Greek Gold: Jewellery of the Classical World at the BM until October 23; Metropolitan Museum from December 1 – March 23, 1995; the Hermitage, May to August 1995. Catalogue: £16.95 paperback (£14.95 during the exhibition) and £25.00 hardback.



Gold pendant disc with the head of Athena

Alastair Muir

Anthony O'Donnell, Ron Cook and James Bolam in a new production of Mamet's 'Glengarry Glen Ross'

Theatre/**Martin Hoyle**

The American dream distorted

Out there is a man's world where a man has to do what a man has to do. The last surviving wilderness. A desert place where you walk tall and lean and only the strong survive. Eleven years after its premiere at the National Theatre, *Glengarry Glen Ross* returns to London, and in Sam Mendes' production at the Donmar Warehouse in Covent Garden it emerges more clearly than ever as a sad, half remembered distortion of a great American ideal: a dream, if not the dream, of independence and toughness, individual self-fulfilment in a territory bristling with dangers.

Can it be that what the Western genre once epitomised for the American male has been sublimated into ruthless commercial competition, and something as ignoble as worthless real estate selling? Yes, according to David Mamet in his most successful play.

That may be pitching it high, but the play's language gives off the sweaty-leather crackle of machismo illuminating a set of values where the ultimate terms of abuse are "fairy", "woman" and "f-ing child". For all its rhapsodically streamlined profanity, *Glengarry* is a wistful work, whose tawdry characters yearn for vast horizons to explore and sunsets to ride into once manhood has been tested and proved.

Instead of the purple sage these men act out their destinies against the Chinese restaurants and cocktail bars of Chicago. Johan Engels's design uses the old warehouse's brick wall to suggest the entrapping city as the real estate salesmen thrust, parry, miss, strike home, and occasionally communicate at the restaurant-table of the opening scene, slowly revolving, as if a film camera was circling them with scientific detachment.

The American dream of the masculine and the individual has shrunk to the desperate rivalry among land dealers, not far removed from con-men as they sell worthless land to the old and gullible, vying for the bonus, the car, the vacation; or, even more desperately, to hold on to the job.

This production strikes me as funnier and less intense than the original. Perhaps the language has less of a bulldozer impact, perhaps we have become more cynical about the ethics of market forces; either way the plot of paranoid conspiracy is less shocking than it was. The cast is British, accomplished and slightly lightweight which adds to the play's emergence as a comedy, albeit a comedy set in the jungle.

James Bolam, more Irish than American, as the salesman going over the hill to find a precipice on the other side, changes brilliantly from cock-a-hoop champ to aghast failure, his face sagging blankly in defeat. John Benfield's thicky is a little too dumb to have survived so long in this jungle; but Ron Cook's smooth-talking conner, spivvy and plausible, is a convincing golden boy of the soft sell. Only his lack of stature detracts from his fits of rage.

At the Donmar Warehouse until August 27. Tel 071-867 1150.

Ballet/**Clement Crisp**

Page's 'Fearful Symmetries'

For his new ballet, which I saw on Tuesday, Ashley Page has turned to a score by the American minimalist composer John Adams. Its title, which Page also uses, is *Fearful Symmetries*. After a very short time in its company, it is tempting to call it *Fearful Monotonies*. Like so much minimalism, it wears its clockwork mechanism on its sleeve. Round and round go the wheels. Click, click go the little patterns. On and on go the gear changes, as incidents wear themselves out and are replaced (but oh, how laboriously) by other dull activities. It is the musical equivalent of the Chinese water torture, and it serves its choreographer ill.

Ashley Page has made six large works, and many smaller pieces. In *Pursuit* and *Carmen Arcadiae*, which I thought his most assured and convincing, he revised academic classicism by sharpening its accents, honing its cutting edge. The dance was bright, clear. In this new work he brings to the stage certain recognisable qualities: an interest in revising balletic vocabulary, and an affection for painterly (modern; abstract) design which echoes his creative taste.

Thus we have a stage decorated by Antony McDonald – or rather, over-decorated. A backdrop blazing with that crass magenta which bougainvillea spreads over half the walls in the South of France. A huge curved and pendant screen at stage left, the colour of which alters, but always dreadfully. A battery of lights at ground level, also stage left. An orange stick that makes a brief appearance. An acid green rectangle that unfortunately doesn't.

Lighting, by Peter Mumford, that unsettles the action by changing too frequently, and in the manner peculiar by William Forsythe, contrives to obscure the dancers. Gloomy costuming that succeeds through acutest malice in making the dancers look both ugly and foolish. The men boast mini-skirts (exactly the gear for Mukhamedov, one realises) and the women are in unflattering bodices and must also cope with fish-net tights that give their legs a curiously gnarled look.

Thus accoutred, thus chained to his score, Page plunges in the Forsythian deep end – much activity leading to further activity; a somewhat dégagé, not to say cursory, manner for the dancers – and dog-paddles for half an hour. The physical mood varies between pounding dynamics, with steps flung to the wind, and strangely lethargic moments (as Adams' score draws breath) when the cast slump from active to passive mood.

Mukhamedov comes off best. Page has devised a couple of *outstanding entries for him* which make much of his strength and his powerful phrasing – everything seamless, rich in tone, with great swathes of dancing cutting across th stage. Mukhamedov also comes off worst by being involved in two duets – with Deborah Bull and Ann de Vos – which are brutal in manner, awkward in form.

The rest of the cast, who are some of the best of the Royal Ballet, run, rampage, cower, are caught in tiny and inexplicable dramas, and look (thanks to their glum outfits) distinctly sooty. The piece struck me as rodomontade. Over-decorated, overpowered by its score, the choreography has an air of anxiety, as if its brakes had failed. Page is an interesting choreographer, but he has been misled by his design and by his choice of score. His gifts need far more sympathetic support.

The programme also contains early and late MacMillan. *Danses Concertantes* is as astonishing as it was in 1955 – classicism refreshed by the wittiest means – and *Winter Dreams* explores Chekhov's world with rare sympathy. The "farewell" duet for Masha and Vershinin was ideally done by Viviana Durante and Irek Mukhamedov – their hearts spoke to us.

This triple bill can be seen again at Covent Garden on June 28,29,30.

Spitalfields Festival/**Richard Fairman**

'Prodigal Son' marks Kent Opera's return

It is five years since the Arts Council decided to close down Kent Opera by withdrawing its grant, but some companies refuse to take their final curtain. Its founder Norman Platt is determined to keep the company name alive, even if it means starting again from scratch.

He intends to keep up pressure on the Arts Council for a new grant, but in the meantime has raised the finance for a rebirth of Kent Opera from other sources. The list of contributing organisations, public and private, including local authorities and charitable trusts, is too long to list here. The sensible decision on Platt's part was to have chosen for his relaunch a modest work that could be mounted on a limited budget.

Britten's Church Parables involve just a small band of instrumentalists and a handful of singers. They are a favourite with small-scale opera companies who can perform them in churches without the need for any scenery, but for some reason the third of them – *The Prodigal Son* – has been neglected at the expense of the other two. Kent Opera has been touring it around the English summer festivals and arrived this week at the Spitalfields Festival in East London.

In its heyday the company made a name for itself enticing young theatre producers into the world of opera (Jonathan Miller and Nicholas Hytner were among its recruits). Platt wanted to continue that tradition and chose Tim Carroll from the Northcott Theatre in Exeter for *The Prodigal Son*. What he did with the piece took it a long way from the Japanese Noh-play formality that Britten had in mind, but the result was strikingly theatrical.

The performance was dominated by Howard Haskin as the Tempter, whose destructive force tears apart a family. Gwion Thomas sang strongly as the Elder Son. Alan Watt might have found more paternal warmth as the father, but James Oxley was affecting as the repressed younger son. Only Britten could equate the evil temptations that he faces with a chorus of boy trebles. Under Timothy Dean's musical direction this third parable made a vivid impact. While money is short, perhaps Kent Opera might consider building up the complete trilogy.

Spitalfields Festival continues until June 29.

INTERNATIONAL ARTS GUIDE

Redon in Chicago

Two major touring exhibitions have their only north American showing this summer at the Art Institute of Chicago.

Prince of Dreams is the first full-scale retrospective of Odilon Redon (1840-1916) to be held in the United States. It comprises more than 180 works by the French painter-poet, including etchings, lithographs, charcoal and pastel drawings, paintings, tapestry designs and decorative panels.

Redon began his career with the Impressionists, before turning inward to explore the landscape of the imagination and the dream state associated with the Symbolists. In the last 25 years of his life, he moved from working almost exclusively in black and white to colour, infusing his work with an intensity that gives it an almost hallucinatory vividness.

The exhibition, sponsored by Sara Lee Corporation, opens tomorrow and runs till September 18, before moving to the Rijksmuseum in Amsterdam (October 20-January 15) and the Royal Academy of Arts in London (February 22-May 21 1995).

The other upcoming show, devoted to Goya, arrives in Chicago next month from Madrid and London. It consists of 100 small-scale paintings covering Goya's entire career, including sketches for major altarpieces, portraits, self-portraits, cabinet pictures and miniatures on ivory. It opens on July 16 and runs till October 16.

EXHIBITIONS GUIDE

AMSTERDAM

Van Gogh Museum Van Gogh's Self-Portraits: 20 paintings and two drawings dating from his stay in Paris 1886-7. Ends Oct 9. Daily

Rijksmuseum Flowers and Plants: flora and fauna in five centuries of prints and drawings. Ends July 31. Closed Mon

BALTIMORE

Museum of Art Matisse Cut-Outs: a loan from the Centre Georges Pompidou in Paris. Ends Aug 14. Closed Mon

BERLIN

Altes Museum The Last Days of Humanity: 600 photos, posters, paintings and drawings illustrating artists' responses to the First World War, and including work by Beckmann, Kokoschka, Dix, Picasso, Chagall and Wyndham Lewis. Ends Aug 28. Closed Mon

Museum für Indische Kunst Lost Empire of the Silk Road: 87 well-preserved pieces of Buddhist art from the tenth to 13th centuries. Ends July 3. Closed Mon

COLOGNE

Museum Ludwig The Unknown Modigliani: 240 of the 440 hitherto unknown drawings amassed by Paul Alexandre before 1914. Ends July 10. Closed Mon

Josef-Haubrich-Kunsthalle Heaven and Hell in the Middle Ages: 200 paintings, documents and artefacts illustrating the medieval view of death and the afterlife. Ends Aug 28. Daily

ESSEN

Villa Hügel Paris - Belle Epoque: an evocation of the period from 1880 to 1910 with paintings, drawings, posters, photographs, glass and furniture. Ends Nov 13. Daily

FRANKFURT

Schirn Kunsthalle Goethe and Art: 300 paintings, drawings and sculptures, from antiquity till Goethe's death in 1832, by artists such as David, Schinkel, Caspar David Friedrich, Claude Lorrain, Constable and Turner. Ends Aug 7. Daily

LAUSANNE

Musée d'Art Contemporain Contemporary Picasso: 80 works 1946-1971, including 30 paintings and a dozen sculptures. Ends Sep 25. Daily

Musée Olympique Miró: 41 sculptures covering his entire career, plus 13 prints from the 1960s and 70s. Ends Sep 4. Daily

Fondation de l'Hermitage Zborowski's Painters - Modigliani, Utrillo and Soutine: 100 works conjuring the aesthetic favoured by the early 20th century Parisian art dealer. Ends Oct 23. Closed Mon

Musée des Arts Decoratifs Contemporary Studio Glass from Japan: 100 works created in the past two years by 23 artists. Ends Aug 14. Closed Mon

LONDON

Hayward Gallery Bonnard at Le Bosquet: 80 works by the French painter who bought the Villa du Bosquet on the Côte d'Azur in 1926 and painted many of his greatest works there. Ends Aug 29. Daily (advance booking 071-928 8800)

Tate Gallery R.B. Kitaj (b1932): retrospective of the American-born figurative painter who has lived in Britain since the 1950s. Ends Sep 4. Daily

Marlborough Fine Art R.B. Kitaj: recent pictures and graphics. Ends Aug 20. Closed Sun

Victoria and Albert Museum Pugin - A Gothic Passion: retrospective of the 19th century British designer. Ends Sep 11. Daily

National Gallery From Caspar David Friedrich to Ferdinand Hodler, A Romantic Tradition - Paintings and Drawings from the Oskar Reinhart Foundation. Ends Sep 4. Daily

Courtauld Institute Prints Representing Poussin: an exhibition marking the 400th anniversary of the influential French painter, and illustrating the various ways his art has been represented using various reproductive techniques over the past three centuries. Ends Aug 29. Daily

British Museum German Printmaking in the Age of Goethe. Ends Sep 11. Indian Paintings and Drawings from the Collection of Howard Hodgkin. Ends Aug 21. Daily

MADRID

Centro de Arte Reina Sofia Gerhard Richter: 100 works by one of the key figures in contemporary German art. Ends Aug 22. Closed Tues

NANCY

Musée des Beaux-Arts Hans Arp: sculptures and drawings 1913-66 by the Alsatian artist who was one of the founders of Dada. Ends Sep 19. Closed Tues

NEW YORK

Metropolitan Museum of Art Petrus Christus: 22 paintings by the 15th century Netherlandish master, renowned for the jewel-like luminosity of his work. Ends July 31. Picasso and the Weeping Women: 80 paintings and works on paper from the 1930s and 1940s. Ends Sep 4. The Annenberg Collection of Impressionist and Post-Impressionist Masterpieces: 53 paintings, drawings and watercolours. Ends Nov 27. The Decorative Arts of Frank Lloyd Wright. Ends Sep 4. Closed Mon

Museum of Modern Art From Manet to Picasso - Masterpieces from the David and Peggy Rockefeller Collection. Ends Sep 6. British Drawings 1890-1990: the exhibition highlights the work of early modernists like Vanessa Bell and Jacob Epstein, and examines the influence of Surrealism on such artists as Henry Moore and Edward Burra during the 1930s and 1940s. The postwar section includes work by Lucian Freud and David Hockney. Ends Sep 13. Closed Wed

Whitney Museum of American Art Edward Hopper (1882-1967) and Jack Pierson (b1962): the latter has selected 20 works by the former, and placed them alongside his own work. Ends Sep 11. Joseph Stella (1877-1946): more than 200 works by the American modernist. Ends Oct 9. Closed Mon

Pierpont Morgan Library Armenian Manuscripts: 90 volumes make up the first comprehensive exhibition in the US of Armenian manuscripts dispersed after the massacres in Anatolia in 1915. Most are gospel books venerated in the liturgy of the Armenian church, ranging from the seventh to the 18th century. Ends Aug 7.

PARIS

Grand Palais The Origins of Impressionism 1859-69. Ends Aug 8. Closed Tues

Musée d'Art Moderne de la Ville de Paris Dutch Art of the 20th Century: the first part traces developments from Van Gogh to Mondrian, while the second focuses on ten contemporary artists. Ends July 17. Closed Mon (11 ave du President Wilson)

● Cartes musées available at all metro stations and museums, to avoid queuing at 60 museums including the Louvre, Musée d'Orsay and Versailles.

VIENNA

Jüdisches Museum Max Oppenheimer (1885-1954): retrospective of one of the most neglected figures in early 20th century Austrian art. Mopp, as he became known, helped create an Austrian version of expressionism, participated in the first Dada exhibition and was forced by the Nazis to emigrate to the US, where he died almost forgotten. Ends Sep 18. Closed Sat

Künstlerhaus Art and Dictatorship: an exhibition comparing Hitler's, Stalin's and Mussolini's ideas of degenerate art in paintings and sculpture. Ends Aug 15. Daily

Museum für angewandte Kunst Tyranny of Beauty: a study of the wedding-cake architectural style of Stalin's era and the reconstruction of Moscow. Ends July 17. Closed Mon

Kunsthalle Rebecca Horn (b1944): retrospective of the German artist, concentrating on her sculptural work from the past decade. Ends Aug 7. Closed Tues

WASHINGTON

National Gallery of Art Willem de Kooning's Paintings: 75 works by America's influential abstract expressionist. Ends Sep 5. From Minimal to Conceptual Art - Works from the Vogel Collection: 90 drawings, photographs, paintings and sculpture by contemporary artists, including LeWitt, Christo, Ryman, Beuys and Flavin. Ends Nov 27. Daily

National Museum of American Art Thomas Cole: 70 works by the father of the Hudson River school of painting. Ends Aug 7. Mary Vaux Walcott: 50 watercolours by the early 20th century naturalist, explorer and artist. Ends Aug 29. Daily

Freer Gallery of Art Masterpieces of Chinese Calligraphy: more than 30 calligraphers are represented from the first century BC to the 20th century. Ends next Feb. Daily

Phillips Collection The Drawings of Stuart Davis: 90 watercolours, gouaches and drawings of radiant colour by the American modernist. Ends Aug 28. Daily

For what we are about to receive

Andrew Jack on tensions over the role of investigating accountants

"Power without accountability" is a phrase that crops up regularly when the owner of a textile company in north London talks about his bank, the accountants it hired, and his business's fall into receivership.

Two years ago he lost his largest customer. Under pressure from the bank, he agreed to pay £18,000 to a large firm of accountants to write a report assessing the viability of the business. All sides agreed that the company should continue trading and that the position should be reassessed after six months, during which time the accountant was paid more than £3,000 a week to monitor the company's financial health.

Six months later, the overdraft had been reduced to within a few thousand pounds of the owner's forecast. But repeated restructuring proposals from him and his independent auditors were rejected by the bank and the accountants. Instead, the bank appointed the accountants as receivers and closed the business down.

Underlying the story – and others like it – is an issue that concerns many directors and a number of financiers and accountants: whether accountants hired by bankers to investigate a financially troubled company should be appointed as receivers?

The debate concerns a potential conflict of interest. The accountant may have a financial incentive to slant the advice given to the bank to suggest a company cannot be salvaged under existing management. By recommending that receivers be appointed, it stands a high chance of winning the work itself and generating extra fees.

Those most affected – company directors – are generally unwilling to be identified: often a company's bank loans are secured against their personal assets even after the companies have collapsed.

One exception is Mr John Jackson, chairman of Brown & Jackson, owner of the loss-making Poundstretcher retail chain recently rescued by the South African retailing group, Pepkor. He calls the practice "objectionable" and has demanded an inquiry by the Bank of England and the accountancy bodies.

Some smaller accountancy firms are sympathetic to his viewpoint. "How can a firm be seen to be objective when reporting to a bank on whether a business is a going concern if a negative report will provide that firm with insolvency business?" asks Mr Michael Snyder, senior partner at accountants Kingston Smith.

He says his firm does not conduct any insolvency work because he believes it does not "sit happily" with its work as investigating accountants. "What is required is a wholly independent review. The investigators appointed [from large firms] are most likely to be insolvency experts with the prospect of a future receivership in their minds."

These charges are vigorously rejected by those from the larger firms involved in conducting investigations, which win most of the work from the banks. Mr Allan Griffiths, a partner with Grant Thornton and vice president of the Society of Practitioners of Insolvency, the leading trade body, says: "It's a bit hard to stomach people doubting my professional integrity. I get my enjoyment from saving companies, not closing them down."

He argues that most of the companies he is asked to investigate emerge intact with existing management, and with creditors none the wiser.

Moreover, he says, finding a second accountancy firm to act if the first firm calls for the appointment of a receiver would add to costs because the new firm would have to learn about the company. In the meantime, as word leaks out, the value of the assets to be sold may also be substantially reduced.

Similar arguments are made by many banks. Mr Brian Clare, head of Midland Bank's loan management division, says: "The argument is perceived rather than real. If banks have a weakness, it is allowing companies without a future to carry on and throwing good money after bad. I would never accept a recommendation to appoint a receiver if there was any better alternative."

Weighing up the merits of each side of the argument is difficult because the circumstances surrounding a receivership are rarely clear cut. Company directors often have a vested interest in slanting their story to conceal their own poor management, while bankers and insolvency practitioners are precluded on ethical grounds from breaking confidentiality to tell their side of the story.

Banks remain split on the issue. But an indication that there is a potential conflict of interest is shown by the decision of the Royal Bank of Scotland to reorganise the way in which it handled companies in distress over the past two years. It introduced a policy banning the investigating accountants it appoints from becoming receivers, except in exceptional circumstances.

Mr Derek Sach, director of specialised lending services at the bank, says: "If customers perceive that investigating accountants will become receivers, they are unco-operative and resist intervention by the bank."

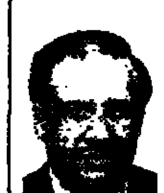
In the past two years, Mr Sach has reduced the number of people authorised to approve receivership from 300 to effectively three. Companies in distress are all handed to his specialist team. He says the result has been to reduce the number of receivers appointed by the Royal Bank by more than its competitors – even taking into account that the number of business failures in the UK has also dropped during the period.

But the Royal Bank's move is unique. The last time the accountancy profession's joint ethics committee studied the issue of investigating accountants acting as receivers was two years ago. It decided to take no further action, although 30 per cent of those asked believed that there was an actual and not just a perceived conflict of interest.

Mr Jackson thinks it is time for the accountancy profession and the Bank of England to examine some cases of business failure in detail to decide whether there is a case for stronger regulation.

Joe Rogaly

Families by male order



Mr Peter Lilley is one of the government's thinkers. Some of his darker thoughts should never have been uttered. They constitute xenophobia at worst, demagoguery at best. We will not dwell on this today. His lecture on Monday was free of the tiresome infelicities that sometimes mar his platform oratory. The transcript I have is fit for decent discourse. That is just as well. The secretary for social security was addressing a diocesan conference. His topic was "the importance of the family". The sentiments he expressed were moderate, if a trifle wistful. The family, he concluded, "will survive even the social revolution of our time".

Will it? In England and Wales, births outside marriage constituted 14.4 per cent of all infants born in 1982. The proportion rose to 31.2 per cent in 1992, according to official statistics published on Wednesday. That is lower than you or I might have guessed. Another wrinkle is that it is not necessarily teenagers who are becoming parents, unmarried or otherwise. Their fertility rate, expressed as the number of births per thousand women under 20, is higher than in 1982, but lower than in 1990. The same is true for women of all ages, but more so for the young. In 1992 the fertility rate for women in their early 30s exceeded that for their sisters in their early 20s for the first time. Against that, the younger the mother the less likely she is to be married when she gives birth.

The effect of this trend, plus the growth in divorce, is that some 2m children are being brought up by a lone parent, nearly always the mother. Mr Lilley would like these children to have fathers present in the home. So would I. So would most of the mothers, we must suppose, although that is less certain. The absent father has been the subject of much social research. My desk is littered with reports on the subject. Some, though not all, conclude that two parents are nearly always better than one. Some argue that one good parent can be better than two bad ones. Poor parenting, it is universally suggested, produces criminals and delinquents. Most of them, the crime statistics indicate, are young men aged between 15 and 25. This is not a fresh observation. When I was 19, I was arrested for trying to break into a Hatton Garden jewellery shop with a crowbar. Fortunately I had a good story, which convinced the court. That ended that particular phase of my career.

Lilley wants the churches to try harder. No wonder he is said to be in the ministerial firing line. He is talking sense at last

Mr David Willetts, one of the pamphleteers, suggests that today's 15-to-25-year-olds "are the ones who are getting the unmarried women pregnant and whom the women – often understandably – have no desire to marry". In this he concurs, sort of, with Ms Sue Slipman, director of the National Council for One Parent Families. She alludes to young men who roam the streets being a public nuisance, condemned forever to be "lads". Those who would reassert the authority of such men in the family, she said in a recent speech, "entirely fail to explain why any woman in her right mind would take one home with her".

Ms Slipman offers several reasons why more women are having children outside a stable partnership. One is the increase in female ambition. Women want careers as well as homes. Another is the disappearance of heavy industries that formerly employed unskilled young men at wages that enabled them to support a wife and family. Today's mothers are obliged to work because fathers are unemployed or earning too little to pay the bills. This has produced a "crisis of identity and role for younger men". The lads can no longer exert the power of the pay packet over their mates and offspring. "They appear to have gone to the other extreme of taking no responsibility for parenting," she says.

Mr Lilley wishes this was not so. He sees the family as the basic building block of society, a bastion of freedom against the power of the state, the principal channel through which culture, language, religion and values are transmitted to succeeding generations. Yet he confesses that politicians have very little power to strengthen the institution. "The idea that government could impose family values by edict or exhortation is impractical and authoritarian," he said on Monday. He wants the churches to try harder. No wonder he is said to be in the ministerial firing line. He is talking sense at last.

According to Mr Lilley, governments can contrive to ensure that their actions do not discourage the maintenance of stable families. This should not mean cutting social payments to single parents. Between 1979 and 1992, he conceded, the real increase in benefits to lone mothers was 13 per cent, against 18 per cent for couples and 40 per cent in average take-home pay. So much for the myth that having a baby on your own pays better than marriage. The government is reviewing the rules for providing housing to homeless single parents, doubtless with adverse consequences for the latter. It is also persevering with the Child Support Agency, bravely maintaining the principle that fathers should accept financial responsibility for their children. Quite right too.

Ms Slipman would like better sex education, something from which the government shrinks. Its third-rate ministers pretend to find straight advice distasteful and argue, absurdly, that information about contraception encourages young people to sleep with one another. No. The advertising and entertainment industries do that, in floods. Teachers can only add a drop. She also wants benefits restructured, more childcare provision, and an acknowledgement that single mothers who work part time are needed at home by adolescents as much as toddlers.

Such ideas are the small change of today's politics, on both sides of the Atlantic. Education and training, which the Conservatives say they are providing and the opposition parties promise more of, may ease the pain, if we can wait. Other proposals float about, including a return to national service for school-leavers, and German-style apprenticeship schemes. Take your pick. We must learn to adjust our ideas and economies to the entry of most women into the workforce, and the simultaneous exit of so many young men. Getting that huge social restructuring right is the only serious family policy. The rest is wishful thinking, nervous tics as we conjure up fearful pictures of rootless young thugs bearing down on us.

LETTERS TO THE EDITOR

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Vision of gas liberalisation

From Mr Ted Trafford and others.

Sir, In the current debate about the liberalisation of the gas market in the UK, we feel that more heat than light has been generated. This has obscured the vision of the most likely outcome of the whole exercise: lower prices for all gas consumers.

Opponents of the government's plans to open up the domestic market have argued that this process will create a "winners and losers" scenario. Such arguments simply do not stand up to proper examination. For example, we believe that any small regional price variations for domestic customers will be more than outweighed by the overall reductions that independent suppliers will be able to offer.

British Gas currently dominates the market with a share of more than 80 per cent, and will still control the entire transportation system when the market is fully open. To ensure self-sustaining competition, some simple steps need to be taken. First is the relatively straightforward legislation planned by the government. Second is continued downward pressure on the charges levied for use of the national gas grid to reflect the real cost of operating the system efficiently.

The liberalisation of the industrial and commercial market has already generated savings of up to 20 per cent. The introduction of competition in the domestic market should, similarly, deliver significant reductions in prices for householders. It will also underpin competition in all sectors of the market and provide the certainty to encourage companies such as ours to continue making the necessary investment in the gas business.

Ted Trafford,
managing director,
Mobil Gas Marketing (UK)
Richard Vernon,
external affairs director,
Phillips Petroleum UK
Kris Maroe,
managing director,
Alliance Gas
Norman Ellis,
chief executive,
Kinetica Natural Gas
Mark Petterson,
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Total Gas Marketing
Caroline Harper,
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Roger Turner,
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From: 33 Grosvenor Place,
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Now who's huffing?

From Mr Leo J Martin.

Sir, I refer to your sports columnist Laura Thompson's article on May 23, the subject being the apparent English relief at their non-qualification for the World Cup. In particular, I quote:

"...to watch poor old Ireland huff and puff against the runny, ice cream-fluidity of the Italians..."

Following the brilliant performance of Jack Charlton's "poor old Ireland" against the Italians last Saturday I suggest the said correspondent be requested to eat her words, and be grateful they have an ice cream flavour to them.

Leo J Martin,
70 St Laurences Road,
Clontarf,
Dublin 3, Ireland

Disastrous results if UN force were to be sent to Burundi

From Mr Martin Griffiths.

Sir, Your perceptive leader "Guilt trip to Rwanda" (June 22) accurately describes the pitfalls of sending French troops into Rwanda. It is clear that any intervention force in Rwanda must be seen as impartial by both the government force and the Rwandan Patriotic Front if a further escalation of hostilities and a worsening of the situation is to be prevented.

Instead, France should be putting its political influence and resources firmly behind the UN by supplying logistical support to the African troops of the UN mandated force to Rwanda.

We would, however, disagree with the point that "the UN would do better to deploy a force in neighbouring Burundi where further killings might yet be prevented". Burundi's fragile peace has been achieved by the positive steps taken by the acting president and these should be supported by both the British government and the international community.

To send in troops against the wishes of the Burundian government, and at a time when delicate peace negotiations appear to be bringing both Hutu and Tutsi together around the negotiation table for the first time in years, could have disastrous results.

Martin Griffiths,
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Argument on economic targets is back to front

From Professor Stanley Fischer.

Sir, In his column, "Beware Ivy League central bankers" (June 13), Sir Samuel Brittan criticises the dependence of central bankers on academic economists "of the mainstream US Ivy League variety". As an example of the errors of Ivy League thinking, he cites the argument in a paper I presented at the Bank of England's tercentenary conference, that an inflation target is preferable to a price level target. He exhorted readers and central bankers to treat mainstream economics sceptically.

Sir Samuel is right that mainstream economics should be treated with a large dose of scepticism, almost as big a dose as is required for the arguments of economic columnists. And since MIT is not in the Ivy League, I could be persuaded of his views on Ivy League economists if his other arguments made sense.

Unfortunately, though, Sir Samuel's column reveals a serious misunderstanding of the issues about which he wrote. To simplify the discussion, suppose that a central bank faces the choice between aiming for a constant price level, or a zero inflation rate.

At first glance, these targets seem to be the same. The difference between them is that a central bank with a price level target tries to make up for past failures to hit the target. Thus, if an inflationary shock in a given period raises prices above the target level, the central bank has to aim to reduce prices to get back to the target level. Or if a favourable price shock reduces prices in such a period, the central bank has to compensate by producing inflation in some future period. With a zero inflation target, the central bank lets bygones be bygones, and aims to keep the price level constant at today's level.

Thus Sir Samuel gets it precisely backwards when he characterises a price stability regime as one in which prices are as likely to fall as rise, with the best bet being that prices in the distant future will be the same as they are today. That *is* true with a zero inflation target. It is *not* true with a price level target: under that regime, when the price level is below target, the future price level is most likely to be above today's level, and vice versa.

I discuss the choice between the two approaches in more detail in my paper. The choice of a price level target brings the benefit of greater certainty about the price level in the long run at the cost of greater variability of inflation in the short run. The greater inflation variability under a price level target results from the fact that every shock to inflation has to be followed by an offsetting change in the price level in the opposite direction.

I argue for the inflation rate target because I fear the consequences of having to aim to deflate the economy half the time, which is what the price level approach requires. Sir Samuel grandly dismisses this concern by describing my fear of deflation as extreme. This is armchair theorising of the worst sort. All economists know that it is theoretically possible to reduce prices through a pre-announced monetary policy, at no cost in terms of output. But that has not been done successfully in the post-second world war period; rather deflations and disinflations produce recessions. That has been so even for the most credible central bank, the Bundesbank, as the experience of the last few years confirms. That basic fact underlies my reluctance to advocate a policy that requires periods of negative inflation – even though I recognise the theoretical possibility that eventually, perhaps, people will be willing to accept nominal wage cuts rather than fight them as they do now.

Lest all this sound academic, consider the example of Germany. The Bundesbank *has a* target inflation rate of 2 per cent. Over the past four years, German inflation has averaged 4 per cent, implying that German prices have risen by 8 per cent more than targeted during that period. The Bundesbank fought the inflation with tight money, and now, at the cost of recession, German inflation is close to its target range. That is regarded as a success; it is that success that permits Europe to begin growing again.

But under Sir Samuel's prescription, the Bundesbank would be only half done: it would still have to reduce the price level by an extra 8 per cent. That would be deflationary overkill, causing social costs to little positive purpose.

Sir Samuel's argument does not make sense.

Stanley Fischer,
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FINANCIAL TIMES

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Friday June 24 1994

Democracy in the dark

The main issue facing the EU summit in Corfu today is the choice of the next president of the Commission. It is an important choice, even if the successful candidate is unlikely to play the strategic role that Jacques Delors did in the last 10 years. The Commission retains the sole right to initiate EU legislation. It also has the task of articulating the common interest of the Union as a whole – a role which may be more important rather than less if the political initiative has now passed, as many believe, to national leaders. Within the Commission, that role will fall especially to the president, who this time has also been promised a say in the choice of his colleagues.

Choosing the next president is a particularly invidious task for the European Council, since two of its own number are declared candidates – an unprecedented circumstance which shows how much Mr Delors' long tenure has raised the post's prestige. It seems unlikely that the council will be able to agree. The Greek prime minister, in the chair, is too isolated to act as an effective broker; and the German chancellor, though now clearly the effective leader of the Union, may have overplayed his hand in letting his support for Jean-Luc Dehaene become known in advance. To the positive sympathy enjoyed in some capitals by Ruud Lubbers is thus added a negative desire in others to resist the Franco-German steamroller.

So deadlock is quite possible. It may also be desirable. Its effect would be to throw the choice forward into the German presidency, which starts next week, obliging Mr Kohl to act as chairman rather than champion.

Worthwhile delay

He has said he would call an emergency summit at once, but he should think again. Too long a delay would indeed be damaging, given the need for the new president to help choose his colleagues, and for the whole team to secure parliamentary approval, before taking office in January. But a delay until early autumn would be well worthwhile if it were used to make a break with the current mode of selection and open the process to public scrutiny.

Existing procedures are little short of scandalous. Governments apparently believe that this important post can best be filled at a private horse-trading session among 12 individuals. In so far as they have allowed the public to know anything at all about their motives, it seems that the nationality of each candidate counts for much more than his personal merits or opinions, even though once chosen he would be expected to forswear all national favouritism. Even more demeaningly, the top executive posts in other international organisations, including some which are far from being in the EU's gift, have been bandied around as bargaining chips, or as consolation prizes for nations which lose out in this unseemly contest.

Radical ideas

If they were really concerned about the "democratic deficit", European leaders should allow the president to be elected either by the parliament or directly by the citizens of the Union. But such radical ideas would require treaty revision, and will have to wait at least until 1996.

For now, the council should announce its intention of reconvening to make a final choice in, say, late September. It should invite candidates – those already declared and any others who wish to be considered – to submit formal applications by mid-July. These applications should be made public, and should include a statement of the candidate's views on the future of the Union, on the role of the Commission and its president, and on the way in which he, or she, would propose to fill that role. They should be the subject of debate in the European Parliament, in national parliaments and elsewhere.

The council should also agree on a voting procedure, which might include an undertaking by all its members to accept the decision of a qualified majority, if unanimity is not achieved on the first one or two ballots; and all of them should promise to make their vote public along with the reasons for it.

If the EU's leaders are not prepared to take it even that far in a democratic direction, they should not feign surprise at the growing Euroscepticism, or downright Euro-hostility, of their electorates.

Laying the ghost of Mr Maxwell

A crucial test of the government's proposals for reforming the UK pensions industry is whether they offer adequate protection against crooks like the late Robert Maxwell. Confidence in the security of occupational pensions was badly shaken by the monstrous theft he perpetrated against pension scheme members in his business empire. Establishing a coherent regulatory framework for pensions is essential in a world in which private pension provision is becoming increasingly important in sustaining living standards in old age.

There is, of course, no foolproof protection against the predations of a determined fraudster. Even trustees representing the interests of members can be intimidated into silence, as Mr Maxwell proved. Yet by largely endorsing the recommendations in the report of the Goode committee on pension law reform, the government has shown itself determined to move towards a comprehensive and statutory form of regulation that will create a succession of obstacles to fraud.

In the front line of defence will be the members, who will be given better access to information on their schemes. They will also have the right to select a third of the trustees – a long-overdue provision for those on whose behalf pension funds exist. The role of trustees is to be strengthened by clarifying their responsibilities and duties. Professional advisers are to be told that they are accountable to the trustees, not the employer. The solvency requirements provide a further line of defence, with a full valuation required if the annual solvency report reveals an unexpected deficiency. An independent regulator will be appointed with powers to investigate and enforce schemes' compliance with their statutory obligations.

Compensation scheme

Finally, a compensation scheme is to be established that will pay out if a fraudster succeeds in jumping all these hurdles. The scheme, funded by an industry levy, should avoid the heartbreaking uncertainties experienced by many Maxwell pensioners over their income in retirement.

If there is any doubt over the government's plans, it lies in the reactive nature of the proposed regulatory framework. Scheme members will be entitled to request annual reports and accounts, but will not automatically receive them. Trustees will have to prepare an annual report but not file it with the regulator where it could be open for public inspection. The regulator will wait for whistle-blowers to raise the alarm rather than analyse scheme reports.

Proactive approach

In most cases, this is less than what was recommended by the Goode report, which rightly favoured a more proactive approach. The committee wanted schemes to send annual reports to members in the same way as companies do to shareholders. It also proposed that schemes should make annual returns to the regulator that would have provided warning of potential problems. Indeed, the regulator could use such returns to identify at-risk schemes and initiate investigations in the same way as charity regulators and tax inspectors do.

On one matter, however, the government was right to water down the Goode report's proposal – on the definition of minimum solvency requirements. Members need a simple indicator to judge whether their scheme has the resources to redeem the pension promises it has made to them. The government has opted for the compromise proposed by the actuarial profession which values liabilities on a mixture of equity-type returns and gilts-based returns according to the age profile of scheme members. This allows for a more diversified investment portfolio than implied in Goode.

All in all, this is a white paper which strikes the right note, though with inadequate conviction. The government would also be wrong to think that it can now relax about the subject of pensions. Changing employment patterns, changing capital markets and changing consumer preferences all suggest that the defined benefit occupational pension scheme is in decline. Creating a sound framework for personal pension schemes, given the recent record of mis-selling, remains a large and important task.

Spirits await a summons to action

The fluctuating fortunes of the dollar are testing the criteria for concerted intervention, says Peter Norman

Glendower: 'I can call spirits from the vasty deep.'
Hotspur: 'Why, so can I, or so can any man. But will they come when you do call for them?'

Put Mr Lloyd Bentsen, the US Treasury Secretary, in the role of Glendower in Shakespeare's Henry IV, Part One, and transform the majority of the industrial world's central banks into a collective Hotspur, and you have a rough idea of where the US stands in its efforts to rally support for the dollar.

On Wednesday Mr Bentsen resorted to the first line of defence of any US administration when faced with an unwelcome fall in the value of its currency: he tried to talk the dollar up by emphasising the fundamental strengths of America's low inflation, investment led recovery.

By referring in addition to the US's partners in the Group of Seven leading industrialised countries, the Treasury Secretary also tried to give the impression that international support for the embattled US currency was close at hand.

But his declaration that "we continue to be in close communication with our G7 partners, and we continue to be prepared to act as appropriate" was more a statement of hope than a sign that the G7 leading industrial countries were ready to rally to the dollar's defence.

True, the Bank of Japan was again seen buying dollars in Tokyo after Mr Bentsen's remarks. But as trading in Europe drew to a close yesterday there was no sign of either the European monetary authorities or the US Federal Reserve Board stepping in to support the dollar.

In the mid to late 1980s, when currency manipulation by governments was all the rage, central banks seemed happy to defend each others' currencies at the drop of a hat. Nowadays, however, concerted intervention is a rare event and happens only on those occasions when there is a genuine identity of interests among the big industrial countries.

Although this week saw the US currency fall briefly through the psychologically-important Y100 level, it appears that no such identity of interests exists over the dollar. The financial markets sense this lack of consensus. And although Mr Bentsen's words, backed by upbeat assessments of the US economy from President Bill Clinton and Mr Alan Greenspan, the US Federal Reserve Board chairman, sufficed yesterday to keep the dollar above Y100 in European trading, traders and analysts argue that it is only a matter of time before the authorities are again put to the test.

"Round one is over. But round two is still to come," says Mr Neil MacKinnon, Citibank's chief currency strategist in London.

The indecision of the central banks reflects doubts over whether intervention could substantially affect the dollar's value in present market conditions and a wider uncertainty about whether the US currency's present weakness against the yen in particular represents a global problem.

At the beginning of May, by contrast, when the dollar fell close to Y100, up to 17 central banks stepped into the market to buy the currency. Notable features of that intervention were the participation of the Bundesbank and the purchase of dollars, not just for yen at Y101.2, but also for D-Marks at DM1.6570. This week, although the dollar briefly dipped below the Y100 level, only the Bank of Japan has been supporting it.

Seven weeks ago, the air was thick with dire warnings that a fall of the dollar through Y100 would precipitate a free fall to Y95, Y90 or even Y80. In the trading session on Tuesday when the greenback fell through Y100 it managed to scramble back up above this "big number" of its own accord.

The dollar's apparent resilience may partly reflect a strengthening of economic fundamentals. Since the beginning of May, German interest rates have fallen while the key US discount and federal fund rates have been raised by half a percentage point.

The effect of losses among the lightly regulated hedge funds and the proprietary trading desks of investment banks may also be giving the dollar a respite. According to one senior analyst in London, speculative investors could have lost as much as $60bn of capital in this year's turbulent financial markets, reducing their scope to speculate by an estimated $600bn.

The non-appearance of concerted intervention could also reflect changed circumstances in Germany and a perception among market operators that current market conditions are unsuited to such action.

The outlook for economic recovery in Germany has improved considerably since the beginning of May, when the Bundesbank stepped in to prevent the dollar's fall from undermining German exports. Although Mr Hans Tietmeyer, the Bundesbank president, said yesterday that he favoured currency stability "in principle", a somewhat weaker dollar could even be to Germany's advantage at present because it would hold down the prices of imported goods and offset recent price rises for commodities including oil. By contrast intervention by the Bundesbank to support the dollar could increase inflationary pressures by boosting Germany's already rapidly growing money supply.

The technical state of the foreign exchange market is also thought to be restricting the enthusiasm of European central banks for foreign exchange market intervention.

Intervention to support a currency such as the dollar works best when speculators have "shorted" it by selling currency that they do not have in the hope of buying it more cheaply when they have to settle orders at a later time. Intervention in these circumstances can force speculators to buy the currency to cover their positions, resulting in heavy losses.

According to foreign exchange market analysts, the market is not short of dollars at present. As a result, intervention would have to be on a large scale and concerted among many central banks and would still run the risk of being ineffective.

There is little doubt that European banks would act, despite the risks, if they felt their interests threatened. But viewed from Europe, the sinking dollar is more clearly a problem for the US and Japan – so far.

In Japan, a falling dollar threatens the country's exports. A drop in the dollar could spell trouble for the US if translated into further weakness and rising interest rates on the US bond market.

But whereas Japan, as shown by central bank intervention, is clearly taking its predicament seriously, policy makers in America's G7 partners are uncertain about the true depth of Washington's concern about the dollar.

Reflecting these doubts Mr Hideaki Kumano, a vice minister at Japan's Ministry of International Trade and Industry (Miti) yesterday said "the US itself should defend *the dollar*".

The US Federal Reserve is thought to have bought dollars on behalf the Bank of Japan in recent days. But there has been no sign of it supporting the dollar on its own account.

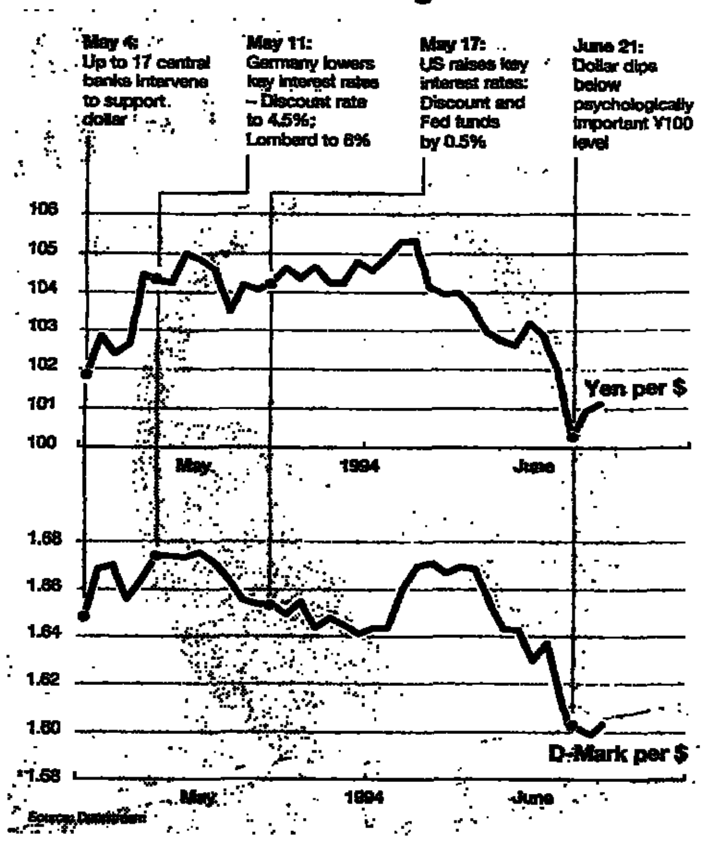
Indeed to some observers, the involvement of President Clinton in talking up the dollar and Treasury secretary Bentsen's statement of Wednesday smacked of a short term reaction to domestic US headlines about Tuesday's fall in the dollar to a post Second World War low against the yen.

Scepticism about the US stance was not eased by suggestions that the US Treasury had been irritated by President Clinton's announcement that it would be making a statement on Wednesday. The idea that Mr Bentsen's had been bounced into premature comment was given some support by the low key references to the G7 in his terse two paragraph statement. His remarks were widely interpreted as a sign that the US had at that point failed to win over its partners to a policy of dollar support.

Such perceptions could bode ill for the stability of the dollar in the days and weeks ahead. Speculation often builds up ahead of big set-piece international events such as the economic summit of G7 leaders to be held in Naples between July 8 and 10 while the unresolved trade dispute between the US and Japan and could easily foment another bout of market turmoil.

Although the central banks have so far been absent as a concerted force in this week's dollar trading, it is a fair bet that the US will be trying to secure an agreement on concerted intervention should this prove necessary. But to win the support of its trading partners for such a move, the US administration will have to demonstrate that it is prepared to act in defence of its own currency.

US dollar takes a beating



Water companies' income dilemma

PERSONAL VIEW

The UK water industry sees itself as being only weeks away from an almighty crunch day of decisions. At the end of July, the Office of Water Services (Ofwat), the industry regulator, is due to announce the so-called "k"-factors. These will set limits for increases in water and sewerage charges for five or 10 years ahead, taking into account the rate of inflation at the time. As some 30 companies are involved, and the increases are to be applied annually, more than 300 figures will be published in one day. This process sounds more like the work of committed bureaucrats than any kind of proxy for competition.

The procedures have two faults (quite apart from there being possible leaks to the stock market of information on prices which each company will have had in confidence since May). First, customers have little chance to understand what goes into the decisions – how much of the prices are to finance future investment and so forth.

Publishing one part of the price increases 10 years ahead will worry and confuse some customers, without there being either a reliable forecast (no one knows what future inflation will be) or a necessary safeguard against monopoly abuse. If anyone is helped, it will only be the company planners and City investment analysts trying to second-guess the regulator's estimates of future profits and the effects on water share prices.

Perhaps a greater fault is that this procedure over-dramatises the work of Ofwat, to whose heavyweight style of regulation the companies are paying too much attention anyway. This probably increases isolation of the companies from the main body of customers, who still worry about water quality, dirty rivers and polluted beaches (according to recent surveys) as well as about future water bills. Ofwat tells the companies to consult customer opinion. But such a process does not inspire much confidence given that the companies operate on the basis of bills being paid in advance calculated on a tax basis. The companies are not widely respected, being seen as monopolies that pay their top brass what seem extravagant commercial salaries.

However, their worries ought to lie in a different direction. When former prime minister Mrs Margaret Thatcher was hatching her poll-tax scheme, she wanted to erase the old rating system from the public records and householders' memories. The water industry had long depended on it, however, as a second-hand, low cost way of fixing water bills for 18m households. So Mrs Thatcher had a law passed in 1988 (before the main water privatisation in 1989) to make it illegal to base water bills on any system derived from old rateable values after the year 2000. But the privatised companies, reluctant to face troublesome changes or give up such an easy way of getting much of their income, have put less than 10 per cent of bills on any new basis so far. They have therefore to deal with about 16m households of all sorts in the five years remaining.

Neither the water companies nor the City should make too much of Ofwat's decisions

For the industry, this has been like a time-bomb they have left ticking away. A few companies see metering as the way forward, but want to stretch out the change and fear the cost. Others still hope to climb aboard the council tax system instead. But this is riddled with rebates and exemptions which they will not want to concede, and they cannot hope just to pick the parts of that system that suit them. The oddest idea being considered is a flat-rate licence fee in some areas, bringing some large increases or reductions in bills, still quite unrelated to usage.

However, the essence of a utility business is that it should be paid according to the volume of its service to customers. This is in line with the the National Rivers Authority's insistence that water resources need to be conserved in some parts of England, and that new charging methods could and should promote that.

So neither the water company managements nor the city analysts should make too much of Ofwat's July decisions. Their worry should be that, as the companies invest in providing better services, they still have in prospect no settled long-term way of calculating bills and gathering their money from the mass of domestic customers. They have only got five years to solve this problem and, more important, to explain their solution to the customers. They cannot blame the present government for this. Explaining new charges is a task that the industry has left very late.

David Kinnersley

The author is a former research fellow of Nuffield College Oxford and one of several advisers to Mr Ridley as Secretary of State at the time of water privatisation. His book "Coming Clean" will be published by Penguin in July

OBSERVER

Pretoria's free vote

■ After almost 20 years in the diplomatic wilderness, South Africa, the UN's prodigal child, yesterday returned to the General Assembly – with full voting rights.

The big question is: will it eventually make good its backlog of outstanding dues, accumulating since being booted out in November 1974? The debt – about $100m – would ordinarily deny South Africa the right to vote. But with the country now diplomatic flavour of the month, no one at the UN seems prepared to quibble over a few measly millions.

Instead, an emotional outburst greeted Pretoria's diplomats, several of whom were snubbed in the UN only months ago. The moment was especially sweet for Jim Steward, South Africa's current UN ambassador. He was once part of a delegation ejected – on a credentials challenge – by Abdelaziz Bouteflika of Algeria, assembly president at the time.

Bouteflika has himself since fallen from grace following accusations of mishandling public funds when foreign minister.

Flight of fancy

■ So it seems the Queen's Flight is no more. When it is amalgamated with 32 Squadron and re-named the Royal Squadron, the Queen will be charged for the use thereof.

But it need not threaten the family finances. After all, if commercial airlines can offer customers double air miles for Club Class and quadruple for First, Royal Class should be worth at least 10 times the going rate from the Ministry of Defence.

If that doesn't keep the bills manageable, perhaps the Duke of Edinburgh and the Prince of Wales could obtain a rebate when they take the joystick themselves.

And if the MoD doesn't play ball, there's always the possibility of a competitive tender. Step forward Monarch Airlines?

Penalty shot

■ Football and politics, a heady cocktail, particularly for Cameroonians. Cameroon's team is once more threatening to strike if it's not paid some bonuses before its next World Cup fixture.

The team played similar tactics before its last qualifying match against Zimbabwe, in October 1993. Then, Cameroon needed a win to guarantee a berth in the final.

Oddly enough, for such a football-obsessed nation, many fans actually hoped for a bad result. The reason? Opposition parties had called a general strike for the following day against the unpopular government of president Paul Biya. They dreaded the regime calling a public holiday if the Indomitable Lions won their match.

Nevertheless, Cameroon qualified, a holiday was duly declared, the strike threat was defused – and Biya survived. Who knows what the outcome this time round might be – for soccer or politico stars.

'I'm just feeding the extra-strength nicotine plant'

Doppelgänger

■ What do Sir Leon Brittan, Peter Sutherland and Ruud Lubbers have in common – other than the prospect of losing out to Jean-Luc Dehaene? There is an uncanny physical resemblance linking them: all three possess a fine pair of bushy eyebrows and each has a thick thatch of hair swept low across their foreheads. By contrast Dehaene slicks his hair back to reveal some inches of temple, wears glasses and has no eyebrows to speak of. And who should he resemble in those three ways? The outgoing president, Jacques Delors.

Not tonight

■ No great headaches for analysts trying to work out the logic of the latest alliance in the burgeoning international healthcare business. Glaxo, the Goliath of European drug production, is buying research from a Californian David, the 10-strong biotechnology company Spectra. The research is into migraine; among the millions of sufferers are none other than Sir Richard Sykes – Glaxo's chief executive – and Steve Peroutka, Spectra's president.

Final puff

■ Talk about public relations coups. David Wynne-Morgan, 63, first got into PR by writing a flattering piece about the late J Paul Getty. The oil tycoon was so impressed that he underwrote Wynne-Morgan's move into the game, becoming his first client at 5 guineas an hour. Claus von Bulow later inherited the Getty account.

Now Morgan has handed in his notice as boss of Hill & Knowlton in Europe. He plans ending his career by polishing the image of his favourite client, Peter Munk, the Canadian entrepreneur whose interests include North America's biggest gold mine, Clark Oil, and Berlin property.

All a bit of a come-down for one of London's veteran flacks? Not likely. Morgan gets a seat on the board of Horsham – Munk's master company – a handsome wage *and* $1.3m in share options. All for working 12 days a month for Munk; no doubt a well-earned rest.

Devilment

■ Those convinced that the relentless advance of satellite television spells the intrusion of evil, anti-religious programming, will be further persuaded by an ominous development on the roof of the Vatican's mission in Cairo.

Embellishing the Holy See's splendid Nileside villa is a large satellite dish, bearing in large red letters the legend "SATAN".

Has Rupert Murdoch been informed of this latest player entering the market?

Virtue rewarded

■ Son: "Dad, what is 'business ethics'?"
Father: "That's tricky, but I'll give you an example. Suppose someone comes into our shop and spends £5, handing me two £5 notes stuck together. Do I tell your mother?"

FINANCIAL TIMES
Friday June 24 1994

Charges of manipulating nicotine levels denied

Tobacco chief hits at Congress allegations

By Jeremy Kahn in Washington

The US Justice Department said yesterday that it was examining allegations of criminal misconduct by the tobacco industry as a top executive hit back against charges that his company manipulated the level of nicotine in its cigarettes.

The investigation follows charges by members of Congress that tobacco company executives had lied under oath when they testified in April that they did not manipulate the nicotine level in their cigarettes, and that they did not know nicotine to be addictive.

Ms Janet Reno, the attorney-general, said her department's criminal, civil and antitrust divisions were looking at "all the allegations... to determine what would be the appropriate response".

Mr Thomas Sandefur, chairman of Brown & Williamson Tobacco, *a subsidiary of the UK's* BAT Industries, yesterday denied that his company deliberately manipulated nicotine levels in its cigarettes and misled the public.

Mr Sandefur appeared before the same congressional subcommittee which on Tuesday heard Mr David Kessler, the Food and Drug Administration commissioner, *allege* that B&W had secretly developed and commercialised a tobacco leaf with twice the nicotine of normal tobacco plants.

Mr Kessler also accused the company of misleading FDA *investigators who were looking* into the high-nicotine leaf B&W known as Y-1.

Congress is attempting to determine whether cigarettes should be subject to FDA regulation on the grounds that nicotine is an addictive drug. Mr Sandefur and others in the tobacco industry claim that stringent FDA regulation "will put the industry out of business".

Mr Sandefur accused Mr Kessler of leading "a dangerous crusade" to advance his "personal and political agenda" of banning tobacco products. He repeated his claim that nicotine is not addictive, but was unable to convince hostile subcommittee members, many of whom stated in their opening remarks that nicotine was a drug that should be subject to further regulation.

Mr Sandefur said B&W did not instruct contract researchers working on the Y-1 plant to mislead Mr Kessler's investigators *about its existence and commercialisation.*

He also said the high-nicotine plant was not a secret, but rather that research into the product was encouraged by the US Department of Agriculture in the 1970s as a way of finding a low-tar alternative to conventional tobaccos.

Japanese securities watchdog probes drug share sales

By Emiko Terazono in Tokyo

Japan's securities industry watchdog yesterday raided a drug wholesaler, Nippon Shoji, at the centre of an insider dealing scandal.

The raid was the first by the *securities and exchange surveillance* commission, which the government established two years ago to clean up the image of the Japanese securities industry after an embarrassing spate of brokers' scandals.

It is alleged that 175 employees and their relatives sold their Nippon Shoji shares just before a government announcement linking the company's shingles drug to the deaths of 15 patients.

Before the raid, which came after several days of press speculation, the allegation that company officials had profited from their knowledge of the patients' misfortune *had stirred outrage,* even though illegal insider trading is often taken for granted by the public.

Public criticism was provoked last October when the Osaka-based Nippon Shoji conceded that, *for some patients, the drug* Sorivudine could be fatal.

The new allegations have deepened the public's mistrust of Japan's health establishment.

The shingles drug controversy comes after a separate case involving *the deaths of 20* patients taking an anti-cancer drug, which had prompted a dispute late last year among officials at the health ministry, drug companies and doctors, who blamed each other for the deaths. The ministry has since agreed to disclose its evaluation procedure for new drugs.

Yesterday's investigation follows an earlier probe into the Nippon Shoji case by the Osaka securities exchange.

Nippon Shoji, which is listed on the Osaka securities exchange, started falling a few hours *before the health ministry's* announcement last October, closing down 7.6 per cent on the day at Y3,150. The stock declined a further 15.5 per cent in the wake of the release.

Following many allegations of unfair trade practices during the stock market "bubble" of the late 1980s, the ministry of finance tightened Japan's regulations on insider trading and set up its own version of the US Securities and Exchange Commission.

The Nippon Shoji case has allowed the watchdog, criticised for its ineffectiveness, to show some teeth.

In a related development, officials at Eisai, another leading *drug maker which was helping* Nippon Shoji with the promotion of the shingles drug, said it had launched its own investigation to examine the possibility of insider trading among its employees.

State sell-offs boost for Latin American economies

By Stephen Fidler, Latin America Editor

Latin American government privatisation of state enterprise and moves to lower import barriers and deregulate business have had an immediate benefit on productivity in the region, according to a study published today.

The assessment of Latin American productivity by the management consultancy McKinsey, found that privatisation, in particular, had provided a *striking example of the potential for* productivity improvements.

It argues that the efficiency improvements seen to date in Latin America suggested that multinational companies "should look at Latin America as a growing region where their knowhow can be transferred in a profitable way". The wave of acquisitions of local companies by foreign multinationals "points precisely in this direction", the report said.

Productivity improvements were significant in two of the four industries it studied: telecommunications and steel. In the most marked improvement, the productivity of telephone workers in Argentina doubled from 1989 to 1993 – to 66 per cent of US levels.

However, the report also concluded that in three of the four industries, labour productivity was very low. This was in part the fault of inefficient management, described as a "bottleneck" *in the process of achieving* productivity gains. Management was often overly hierarchical, reflecting a bureaucratic rather than a managerial approach.

"In steel, productivity averaged 37 per cent of the US level, 31 per cent in the food processing industry and 29 per cent in the retail banking industry," it said.

It noted particularly poor performance in the Argentine banking industry – at 19 per cent of the US level – and in the Colombian steel industry at only 15 per cent.

In general, state-owned industries were significantly less productive than their privatised counterparts.

"State-owned banks in Brazil pay their employees almost three times the private sector levels, but their employees are only half as productive as private sector banking employees.

"The $10bn difference in wages is equivalent to the amount the country pays as interest on its foreign debt," the report said.

There was one exception: Colombia's state-run telephone company, where workers were as productive as those in the US.

Latin American Productivity, published by the McKinsey Global Institute; Washington DC. Telephone: 202.662.3141

Chance to break the cycle of sorrow, Page 5

Sanofi agrees $1.7bn deal with Kodak

Continued from Page 1

of the deal, he said.

The announcement follows Kodak's decision, announced in May, that it planned to sell its various healthcare activities to focus on its core businesses. Sanofi, which had a far-reaching alliance with Sterling Winthrop, said then it was interested in acquiring a large part of the group.

Sanofi said this was important for the sales and marketing of products in its pipeline, including Clopidogrel, an anti-thrombotic drug, and Tiludronate, aimed at the prevention of osteoporosis.

Following the deal, Sanofi's annual pharmaceuticals sales will amount to more than $3.2bn.

Mr Dehecq said the acquisition would also allow synergies which had not been available to the joint venture with the US group.

Sanofi, which faced pressure from its parent company not to increase borrowings or launch a capital increase, said it would finance the acquisition through disposals, principally in its bio-activities division, which includes food additives, gelatine and veterinary products. It had already been contacted by almost a dozen potential buyers.

Mr Dehecq said core businesses *in the group's cosmetics division,* such as Yves Saint Laurent and Yves Rocher, would not be sold but some of the businesses acquired from Kodak may be, including perhaps the diagnostic imaging businesses which Sanofi *does not consider a core activity.*

Mr Dehecq said that he would not be rushed into disposals. The financial position of the group was strong, with net debts of between FFr2bn and FFr3bn and gearing of about 20 per cent.

THE LEX COLUMN

Securing Goode returns

Yesterday's pensions white paper strikes a sensible balance between the *security of occupational pensions and* the cost to industry of providing them. The minimum solvency test will probably lead to some shift of pension fund assets from UK and overseas equities into gilts. If lower investment returns result, companies will end up contributing more to their schemes over time. Companies also have to consider the potential cost of falling foul of the solvency test, since employers will be obliged to make up the shortfall within three months of the threshold being breached.

But that should not cause companies to walk away from occupational schemes. The government has defended the right of employers to claw back pension fund surpluses where schemes are over-funded. The solvency test proposed is far less stringent than the original Goode Committee proposal. Due to nifty footwork by the actuarial profession, there is no reason to expect a stampede out of equities and into gilts.

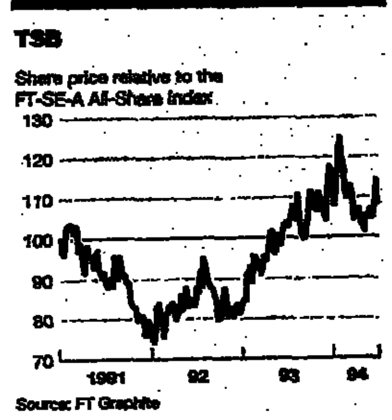
Some fund managers will doubtless argue that schemes should be entirely free to pursue high-growth investment strategies in the interests of both members and employers. There is nothing in yesterday's proposals to stop younger, *wealthier schemes from* doing just that. But less well-endowed schemes cannot afford to take such investment risks. Heavy weightings towards UK and overseas equities are not always consistent with the degree of certainty sought by scheme members. If the balance can be righted in these cases without causing turbulence in financial markets – or driving companies away from occupational schemes – the white paper will have done its job.

Telegraph

It is to be hoped that the glitterati who adorn the Hollinger and Telegraph boards can muster sufficient resolve to demand some straight answers from their chairman. Hollinger's sale of 12.5m Telegraph shares in May appears remarkably prescient considering the newspaper's later decision to shred its cover price. That news knocked 35 per cent off the Telegraph's shares yesterday. Those investors who bought the Hollinger shares are apoplectic. The stock exchange is right to investigate the background. Goldman Sachs and Cazenove, which facilitated the share placing, must also be musing whether the fees earned are worth the bad feeling that now surrounds their names.

The Telegraph insists the decision to cut the cover price was taken after the share sale. It can also argue that none are as blind as those who do not want to see. The market should have expected some aggression when the Telegraph's circulation dropped below 1m in May. Mr Black made it plain at Hollinger's annual meeting – albeit, after the share sale – that "remedial action" would be taken if the Telegraph's market supremacy were threatened. Bruised Telegraph shareholders will be little comforted by such arguments. The Times' vicious response to the Telegraph's move suggests that Mr Rupert Murdoch has a higher pain threshold than Mr Black. The newspaper industry will shudder at the thought that wars are much easier to start than they are to end.

FT-SE Index: 2942.4 (-18.0)



TSB

On the surface, TSB looks a picture of health. First-half profits are up nearly threefold, net return on capital is 15.5 per cent and the tier 1 capital ratio is 9.1 per cent. The awkward thing is that recent growth has occurred in peripheral businesses which are supposed to be winding down. Thus both the bad loan administration unit and Mortgage Express extended the recovery manifest in the second half of last year. Operating profit before bad debts in retail banking and insurance fell 5 per cent. That, unfortunately, is precisely the area on which TSB's longer term ambitions are focused.

Nor is the outlook encouraging. The process of shifting customers into higher yielding deposits, which has been a drag on TSB's funding costs, may soon have run its course. But margin pressure looks set to intensify in the mortgage market. Life assurance and pensions premium income is dropping and conditions will become even tougher when commission disclosure is required next year. No wonder TSB is still talking about buying a building society. Acquisition looks the only plausible route to growth.

As long as Lloyds Bank cannot even make a friendly offer for a building society work, though, there seems little chance of TSB pulling off a significant deal. With its tier 1 capital ratio heading over 10 per cent as bad debt provisions drop further, it may soon have to start considering alternatives like a scheme to buy back its own shares. Otherwise competition may quickly erode its handsome returns.

C&W/AT&T

AT&T's international alliance has caused disarray in Cable & Wireless's ranks. Mercury Communications, C&W's UK subsidiary, was almost sucked into AT&T's Worldsource grouping. Hongkong Telecom, a 57.5 per cent owned subsidiary, may yet join. All this puts a big question mark over C&W's strategy of maintaining its independence from the three big telecoms alliances formed in recent months. Its own plan is to form a "federation" by knitting together its multitude of stakes in telecoms operators scattered across the globe.

The snag is not simply that members of the federation are doubtful of its value. Investors attribute no value to it either. C&W is viewed like an investment trust, with the group's market £9.3bn capitalisation roughly £2bn less than the sum of its parts.

There are several ways C&W could realise greater value. One would be to demerge C&W into its constituent parts. Another would be to beef up the federation so that it becomes a serious fourth alliance. It is hard to see how this can be done without a more substantial presence in the US long-distance market. There is not much left to buy and C&W could end up paying over the odds. Much wiser would be to do what Sprint and MCI have done and sell a minority share of itself to a foreign sugar daddy at a handsome premium. AT&T still looks the best candidate. But if the Baby Bells are freed to enter the US long-distance market as expected, they could play that role too.

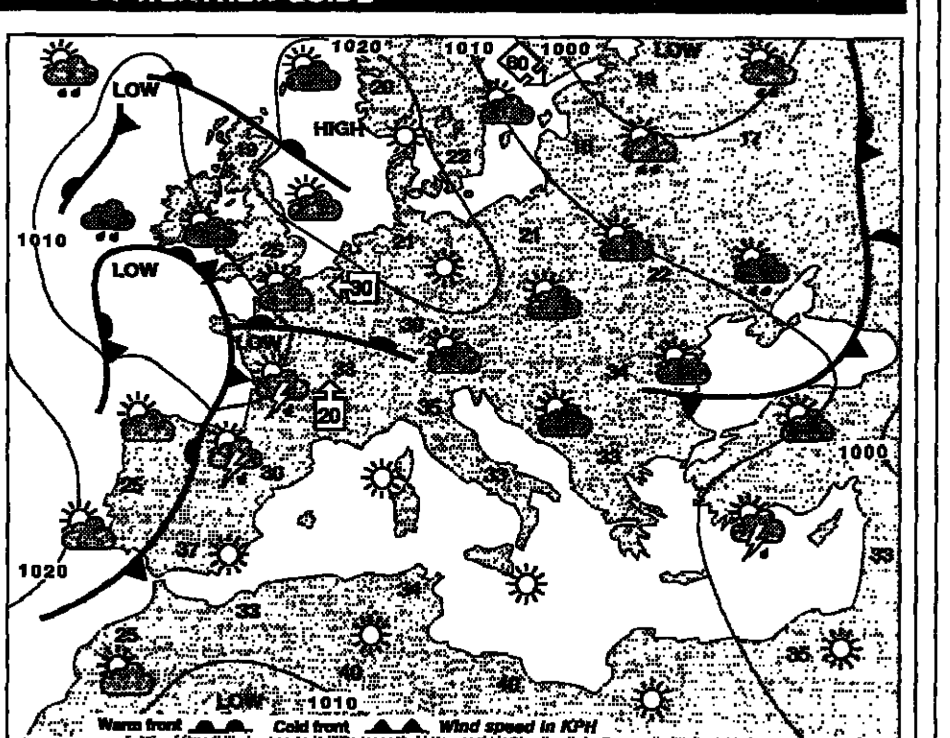
FT WEATHER GUIDE

Europe today

Temperatures will rise rapidly over most of western Europe, as a depression near Ireland pushes warm air to the north. Thunder showers will develop in England and in western France. Conditions in central Europe will be sunny. Temperatures will top 30C on the southern side of the Alps and will be about 35C in central France. Showers are expected during the day over the Alps and around the Adriatic Sea. Conditions will be very warm over interior southern Italy and in Greece. Afternoon temperatures will be as high as 35C. Southern Turkey may have thunder showers. Scandinavia will continue to be windy and cool. Conditions in the CIS will remain unsettled and cold, particularly in the north-east.

Five-day forecast

Conditions will be summery over Germany and the Alps on Saturday. Northwestern Europe will grow cooler as from Sunday. Unsettled conditions with thunder showers will flow over France towards Italy and the Alps, bringing *lower temperatures* after the weekend. Conditions in southern Spain and in Portugal will be very warm and sunny. Cool and unsettled conditions will persist in Scandinavia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	sun	31
Algiers	sun	33
Amsterdam	sun	23
Athens	sun	33
Atlanta	thund	31
B. Aires	shower	10
B.ham	cloudy	25
Bangkok	shower	34
Barcelona	sun	27
Beijing	fair	33
Belfast	cloudy	22
Belgrade	fair	32
Berlin	fair	22
Bermuda	fair	29
Bogota	shower	18
Bombay	fair	30
Brussels	fair	28
Budapest	fair	29
C.hagen	sun	21
Cairo	fair	35
Cape Town	fair	16
Caracas	fair	24
Cardiff	fair	25
Casablanca	fair	25
Chicago	shower	24
Cologne	sun	28
Dakar	fair	28
Dallas	fair	41
Delhi	cloudy	38
Dubai	sun	42
Dublin	shower	20
Dubrovnik	sun	32
Edinburgh	shower	19
Faro	cloudy	29
Frankfurt	sun	30
Geneva	sun	32
Gibraltar	sun	28
Glasgow	cloudy	22
Hamburg	fair	21
Helsinki	windy	21
Hong Kong	cloudy	29
Honolulu	fair	31
Istanbul	sun	29
Jakarta	fair	32
Jersey	cloudy	21
Karachi	fair	33
Kuwait	sun	44
L. Angeles	sun	31
Las Palmas	sun	26
Lima	cloudy	19
Lisbon	cloudy	26
London	fair	26
Lux.bourg	sun	29
Lyon	sun	34
Madeira	fair	24
Madrid	thund	37
Majorca	sun	31
Malta	sun	31
Manchester	cloudy	23
Manila	rain	30
Melbourne	shower	11
Mexico City	fair	25
Miami	thund	34
Milan	sun	32
Montreal	sun	25
Moscow	windy	17
Munich	sun	31
Nairobi	fair	28
Naples	sun	31
Nassau	fair	29
New York	cloudy	26
Nice	sun	28
Nicosia	sun	28
Oslo	fair	22
Paris	sun	33
Perth	fair	18
Prague	fair	24
Rangoon	rain	32
Reykjavik	rain	11
Rio	cloudy	24
Rome	sun	30
S. Frsco	sun	26
Seoul	fair	27
Singapore	rain	28
Stockholm	fair	17
Strasbourg	fair	32
Sydney	fair	13
Tangier	sun	27
Tel Aviv	fair	30
Tokyo	fair	27
Toronto	shower	24
Vancouver	shower	19
Venice	sun	31
Vienna	sun	27
Warsaw	fair	21
Washington	shower	32
Wellington	cloudy	12
Winnipeg	fair	28
Zurich	sun	31

FINANCIAL TIMES
COMPANIES & MARKETS
Friday June 24 1994

IN BRIEF

Olivetti and GM arm in joint venture

Olivetti, the Italian computer manufacturer, and Hughes Network Systems, a subsidiary of General Motors of the US, have formed a joint venture to exploit the market for business satellite communications in Europe. Each company will own 50 per cent of the venture, called Hughes Olivetti Telecom. Page 18

Canadian insurer rethinks UK operations
Canada's financially-troubled Confederation Life Insurance is examining the future of its UK operations before a proposed deal with Winnipeg-based Great-West Life Assurance. The company said options include selling its UK arm. Page 18

Italian bank plans restructure
Banca Nazionale del Lavoro, the state Treasury-controlled Italian bank, has announced a far-reaching restructuring as part of preparations for possible privatisation. Page 18

Philips sells LCD stake
Philips, the Dutch electronics group, is selling 10 per cent in its Flat Panel Display Co to E. Merck of Germany. Philips' stake in the company – which sells active liquid-crystal displays – will fall to 70 per cent. Page 18

Kidder Peabody rides out the storm
Kidder Peabody, which survived as king of mortgage-backed bonds through the recent turmoil in the market, looks to the future with unease. Page 19

UAL arm to start low-cost flights
United Airlines, the biggest US carrier, yesterday stepped up the US air fare war by announcing that its new unnamed low-cost subsidiary would start flying on October 1. The short-haul carrier would have an initial daily schedule of 82 flights spread among 14 routes on the US West Coast. Page 19

CPC to shed 2,600 jobs
CPC International, the US-based food company, whose brands include Hellmann's mayonnaise, Knorr soups and Mazola corn oil, is to shed 2,600 jobs from its international workforce of 39,000 over the next two years. Page 19

Non-core units help S Electric
Improved performance of non-core businesses helped Southern Electric, the power distributor, increase pre-tax profits 18.5 per cent to £222m ($337.4), the top end of expectations. Meanwhile, UK power companies are learning the dangers of diversification. Page 22

Caledonia rises 26% to £45m
Caledonia Investments, the investment vehicle controlled by the Cayzer family, yesterday announced a 22 per cent increase in its net asset value last year from 559p to 681p. Pre-tax profits increased by 26 per cent to £45.2m ($68.7m). Page 23

Solidere opens to 11% premium
Shares in Solidere, the $1.8bn Lebanese company created to develop central Beirut, opened the first day of trading yesterday at $111, an 11 per cent premium on the issue price. Back Page

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Badner Kraft	280	+	10.5	Alcatel Alsthom	605	+	29
Dresdner Bank	380.5	+	13	Elf Aquit'n Cts	357	+	30
Mannesmann	403	+	12	Essilor Intl	880	+	35
Porsche	788	+	28	**Falls**			
Thyssen	285.7	+	7.4	Pechiney Intl	143.5	–	10.5
Falls				Rhone Poulnc A	123	–	7.2
Douglas	500	–	28	Union Immob Fr	508	–	22
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Conseco	52¾	+	1¼	Jpn Syn Rubber	694	+	34
Kemper	63⅞	+	4¾	Kajima	890	+	45
Paccar	46¼	+	1¼	Mitsui Toatsu	430	+	28
Falls				Seibu Railway	4150	+	280
Eaton	52¾	–	1⅜	Tobishima Corp	521	+	25
Lotus Dev	33¼	–	2⅞	Tokyo Rope	680	+	35
Wellfleet	20½	–	2¾				

New York prices at 12:30.

LONDON (Pence)							
Rises				Courts	779	–	24
Burtonwood	196	+	13	Daily Mail A	903	–	147
Eidos	345	+	50	Euro Disney	153	–	35
GEI Intl	86	+	6½	Grand Met	390	–	15
Honeysuckle	71	+	6	Mid Indep News	158	–	9
Laing (J) A	275	+	8	Mirror Group	134	–	31
ML Hldgs	45	+	4	News Intl Sp Div	335	–	9
Macdnld Marts A	665	+	60	Severn Trent	472	–	15
Metal Bulletin	423	+	23	Slendright	208	–	10
Plasmec	106	+	6	TSB	211	–	9
Telspec	290	+	15	Telegraph	349	–	191
Tex Hldgs	55	+	5	United News	610	–	63
Falls							
BAT Inds	381	–	10½				

AT&T launches tie-up with Unisource

By Andrew Adonis

AT&T, the largest US telecommunications operator, yesterday announced an alliance with Unisource, a venture between the Swedish, Dutch and Swiss national operators.

Unisource, of which Telefonica of Spain is an associate member, will take an unspecified equity stake in AT&T's Worldsource *international* partnership. It will market Worldsource-branded products in Europe, geared to the growing market for one-stop international telecoms services for multinational companies.

AT&T's alliance is in fierce competition with two others launched in the past year – a $5.3bn (£3.5bn) tie-up between British Telecommunications and MCI, the second largest US operator; and a $4.2bn alliance, forged last week, between Deutsche Telekom, France Telecom, and Sprint, the third largest US long-distance operator.

It also emerged that companies controlled by Cable & Wireless, the UK telecoms group, have been in talks with AT&T about forming an international alliance, despite C&W claims that it is not interested in such a tie-up.

Mercury, C&W's UK subsidiary, has drawn back from joining Worldsource, in what an insider called a "knife-edge" decision. However, Hongkong Telecom, C&W's largest undertaking, is still in talks and may soon join Worldsource.

AT&T had hoped to include Mercury in the announcement. Although the UK operator would have only been an associate, the concentration of multinationals in London made it attractive to AT&T. Mr Mike Harris, Mercury chief executive, said: "There was a real problem in getting into bed with AT&T, given their existing international partners."

KDD, the largest Japanese international operator, is an equity member of Worldsource, and Telstra, the Australian national operator, an associate. Both compete with operators in which C&W holds stakes – IDC in Japan and Optus in Australia – and those companies plus CWI, C&W's US subsidiary, made representations to C&W against Mercury allying with AT&T.

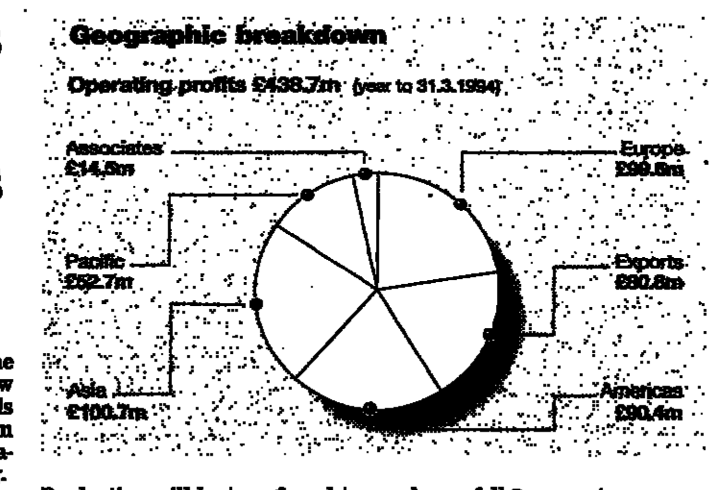
Mr John Tonroe, finance director of Hongkong Telecom, in which C&W has a 57.5 per cent stake, said the company was open to joining Worldsource, denying that C&W would veto such a move. Mr Harris acknowledged that Hongkong Telecom might adopt a different strategy to the rest of C&W.

Mr Robert Morris, analyst at Goldman Sachs, said: "C&W really does have a dilemma about how it fits into the emerging international alliances."

Lex, Page 16; AT&T's hidden agenda, Page 20

Cigarette maker makes £124m provision for rationalisation as profits fall to £344m for year

Rothmans to cut 1,000 jobs in Europe



By David Wighton in London

Rothmans International, the restructured tobacco group now shorn of its Dunhill luxury goods interests, is to cut 1,000 jobs in Europe in a further rationalisation of cigarette manufacturing.

The company is providing £123.8m ($190m) to cover the pre-tax costs of the moves which involve the closure of factories in Berlin and The Hague and rationalisation in Belgium.

The provisions resulted in a sharp fall in profits from £470.7m to £343.6m for the year to March. Excluding the provisions and the £31.2m pre-tax costs of last year's group restructuring, profits rose 6 per cent to £498.6m, with the increase entirely accounted for by exchange rate movements.

Mr Bill Ryan, chief executive, said the closures were part of a long process of rationalising acquisitions made after the war. "In the mid-1970s we had 15 factories in Europe. When this is completed we will have six which is still more than our main competitors." Most of the job losses will result from the closure of the Berlin factory. Production will be transferred to Zevenaar in the Netherlands and to the two UK factories.

Rothmans had another difficult year in Europe with operating profits falling 23 per cent to £99.6m on slightly lower sales of £1.04bn (£1.08bn). Sales were down sharply in France, after a fierce price war, and by more than 15 per cent in the UK, largely because two Budgets fell into the period.

Mr Ryan said the rate of decline in Europe had slowed and he was more optimistic about the current year. "We believe there may well be an improvement in the current year with signs of economies picking up in Germany and France."

Group operating profits rose 5 per cent to £438.7m, including an additional £22.5m (£22.2m) of rationalisation costs on net sales revenue 3 per cent higher at £2.49bn. Worldwide cigarette volumes fell 8 per cent.

The operating profits were less than the City had expected but net investment income of £59.9m (£51.7m) was rather better. This rise, which was despite the £450m special dividend paid last November, partly reflected gains on the disposal of a securities portfolio.

Cash generation was also stronger than forecast with net liquid funds falling only £252.4m to £665.1m after working capital was almost halved to £204.1m.

Earnings per unit, excluding exceptional costs, edged up to 35.1p (34.6p) and the net dividend is 13.2p, up from a pro forma 11.5p.

Rothmans' strongest growth continues to come from Asia where profits jumped 37 per cent to £110.7m on sales of £408.5m (£318.4m). The Americas contributed £90.4m (£85.5m) and the Pacific £52.7m (£46.4m).

Murdoch caps Black in UK newspaper wars

By David Wighton and Raymond Snoddy in London

Ashley Ashwood
Black: agreed with decision although it would be embarrassing

Mr Rupert Murdoch last night stepped up Britain's newspaper wars by cutting the price of The Times by 10p to 20p, one day after the Daily Telegraph dropped its price to 30p.

Earlier in the day, the London Stock Exchange launched an investigation into the circumstances surrounding the Telegraph's move, amid fierce City of London criticism of the recent share sale by proprietor Mr Conrad Black.

The Stock Exchange visited the Telegraph's offices where it was provided with documents showing the sequence of events leading up to the price cut.

Telegraph shares plunged by 191p to 349p yesterday, 40 per cent below the price at which Hollinger, the Canadian publishing group controlled by Mr Black, sold £73m ($111m) of shares on May 19. The shares were bought by Cazenove, the Telegraph's stockbrokers, and Goldman Sachs, the US investment bank, which sold them on to institutions. The purchasers, nursing total losses of almost £30m, expressed varying degrees of anger.

Mr Black said the documents provided to the stock exchange clearly showed that the decision to cut the cover price was made after June 10, when the Telegraph management saw figures showing the surge in the Times sales in May. "At the time of the share sale, which we discussed with the Telegraph management, we could see nothing other than business as usual."

Lord Swaythling, the Telegraph's senior non-executive director, said he was convinced the executive management had not contemplated the price cut "until very recently".

Mr Black said he was not told of the Telegraph management's price-cut recommendation until June 14. "I agreed with the decision and although I knew it would be embarrassing for me I could not say 'you can't do that for the sake of your chairman's public relations convenience'."

The exchange is also investigating attempted share sales by two Telegraph employees on Wednesday.

Mr Peter Stothard, editor of The Times, said the aim was to make The Times "permanently profitable". The paper, now selling 515,000, would probably need sales of 800,000-900,000 to be profitable at 20p.

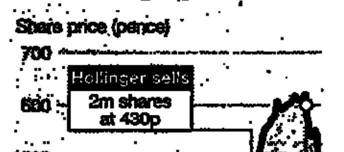
The Daily Telegraph, with a circulation of about 1m, claimed yesterday that its 18p price cut had increased sales by more than 25 per cent.

Most national newspaper managements will have to review their position in the light of the price battle. It looks increasingly unlikely that The Independent will be able to stay at 50p.

Shares in Hollinger were down 13 per cent at C$14 in early afternoon trading in Toronto.

Lex, Page 16

The Telegraph



Source: FT Graphite

Eurotunnel rights take-up totals two-thirds in UK

By Simon Davies in London and John Ridding in Paris

Eurotunnel yesterday announced that only two-thirds of the UK tranche of its £858m rights issue was taken up, significantly lower than the take-up for its 1990 issue.

However, the brokers S.G. Warburg succeeded in placing out the £70.6m rump of the registered share issue to institutions at a small premium to the 265p rights price, releasing the underwriters from their obligations.

The underwriters are not entirely off the hook. The announcement of take-up on the primarily French-owned bearer rights shares will not be made until July 7.

In addition, the French stock exchange authorities yesterday officially launched an investigation into possible market manipulation by the underwriters. This followed a preliminary inquiry in May into accusations by Mr Christian Cambier, the French head of an association of small shareholders in Eurotunnel. Mr Cambier claims underwriters may have sold short ahead of the pricing of the issue in an attempt to depress the share price, and limit their risk.

Nevertheless, the announcement yesterday of the placement of the rump of the UK issue was good news for the banks behind the Eurotunnel issue, primarily Morgan Grenfell, Banque Indosuez and Swiss Bank Corporation. The 26.6m rights units that were not taken up were placed out to institutions at 269.46p (net of costs) to "a wide range of mainly UK institutions". Unitholders who did not take up their rights will be paid the 4.46p premium to the rights price.

Take-up of the 241.5m bearer rights shares, listed in Paris, is expected to be significantly higher. Around 45 per cent of the entire issue of bearer rights was traded this week, and buyers would be almost certain to exercise their rights, as under the French system, they do not receive the proceeds from any subsequent placement.

French bankers suggested a take-up of more than 90 per cent was achievable, which would bring the average take-up to a more respectable 84 per cent. The 1990 rights issue was 84 per cent subscribed in the UK, and there was a 98 per cent take-up of the French tranche, but small shareholders were then given travel incentives.

Mr Rory MacNamara, corporate finance director at Morgan Grenfell, Eurotunnel's advisers, said: "By Eurotunnel standards, it was an encouraging response. Eurotunnel, at least in the UK, is more of a retail stock, and you would expect a lower take-up."

The placement of the rump was helped by a bounce in Eurotunnel's share price to a high of 300p yesterday, although it closed 1p lower at 278p.

The management has put its own money behind its assertions of confidence in the shares. Sir Alastair Morton, chairman, bought 10,000 warrants yesterday. Both the company's chairmen have now invested in Eurotunnel stock in the past three days. Their combined investment of £28,500, however, will provide little more than moral support for the shares.

Argentaria delays share sale while expansion plans laid

By David White in Madrid

Argentaria, the state-controlled Spanish banking group, wants to hold back its next phase of privatisation until next year, while it lays the ground for expansion, according to its chairman Mr Francisco Luzón.

A third share sale, reducing the government's stake to a minority, was originally expected by the end of this year. Almost 50 per cent of the shares were placed on the stock markets in two heavily oversubscribed tranches last year, bringing in Pta296bn ($2.2bn) to the Spanish treasury.

Some 24 per cent of the capital is in foreign hands. Mr Luzón indicated this might rise to 30 per cent in the next privatisation phase.

He said he envisaged that the government would retain at least a 20 per cent share "for a relatively long time", in the interests of stability. Argentaria was formed three years ago through an amalgamation of the state's banking interests.

Privatisation would have to take place gradually whatever government was in place, Mr Luzón said, referring to the possibility of an early general election. An election at this stage would probably replace the current Socialist government with a conservative Popular Party administration.

At the bank's first open annual shareholders' meeting today, Mr Luzón will set out his strategy in the wake of Argentaria's failed bid in April for control of Banco Español de Crédito (Banesto), the banking group restructured after Bank of Spain intervention late last year. The contest for Banesto was won instead by the private-sector Banco Santander.

Mr Luzón said Argentaria aimed to become more competitive, winning market share in new business areas and reinforcing its international and investment banking sides.

It was "in a buying mood", he said, indicating that expansion in retail banking might entail acquisition of a bank or an additional branch network. However, it had no specific plans.

Argentaria was also looking at non-banking investments in service sectors such as mobile telephones.

At the same time, Argentaria would be ready to sell its 24 per cent stake in Banco Atlántico, a Barcelona-based bank controlled by Arab Banking Corporation, if it were offered a good price.

Italian bank plans restructure

By Andrew Hill in Milan

Banca Nazionale del Lavoro, the state Treasury-controlled Italian bank, has announced a far-reaching restructuring plan as part of preparations for possible privatisation.

The plan shows that Mr Mario Sarcinelli, who took over as BNL chairman in April, is moving quickly to distance the group from its turbulent past, and reposition it as a competitive "universal" bank.

One effect of the plan will be to hive off L700bn ($436.7m) of outstanding unguaranteed loans to Iraq into a separate financial vehicle. BNL Finance will buy the loans at their current depressed market value.

Unauthorised loans to Iraq, made by BNL's Atlanta branch, were revealed in 1989, triggering an international outcry. BNL is fighting through the courts to force repayment of a further $350m of guaranteed loans to Iraq.

The most important part of the BNL restructuring, however, is the absorption of three medium and long-term credit subsidiaries into the main part of the group.

This will increase total assets of the parent company to L145,545bn from L108,506bn.

Mr Davide Croff, BNL's joint managing director, said yesterday the process of BNL restructuring would be "very quick".

However, Mr Sarcinelli, former director-general of the Treasury and vice-president of the European Bank for Reconstruction and Development, would not be drawn on a possible date for privatisation. He reiterated that BNL would need new capital, either through a cash injection from the Treasury, or through the transfer of a Treasury-owned credit institution into the BNL portfolio.

Separately, the Treasury is preparing for the eventual sale of more of its shares in Imi, the financial services group partly privatised in January. The Treasury was left with about 28 per cent of Imi, and had to wait nine months before selling any more shares.

However, Mr Lamberto Dini, the Treasury minister, told a banking conference on Wednesday that once the nine months was up in the autumn, "we will proceed with a further reduction in our stake".

He also said the aim of the Treasury was to sell off its minority stakes in about 20 other banks little by little, a process which could realise about L13,000bn.

Olivetti and GM arm in satellite joint venture

By Alan Cane in London

Olivetti, the Italian computer manufacturer, and Hughes Network Systems, a subsidiary of General Motors of the US, have formed a joint venture to exploit the market for business satellite communications in Europe.

Each company will own 50 per cent of the venture, called Hughes Olivetti Telecom. The first service, Hotstar, will provide interactive data and voice links between customer sites at a monthly rent of $250-$380 a site.

Each partner has invested an initial $2m in infrastructure. Total investment over the first five years is expected to be $25m.

The venture is targeted at large companies with more than 30 sites. It aims to build and manage a pan-European network based on a form of satellite communications called VSat (very small aperture terminal), which is increasingly being used to provide two-way communications services to businesses in the US and Europe. The first "hub" for the service will be based in London. Talks are under way on establishing hubs in other European countries. Transmission licences are being agreed on a case-by-case basis.

The initial investment cost is comparatively low, because Hughes is already an important manufacturer of satellite communications equipment – it claims 70 per cent of the world VSat market – and because Olivetti has already established a Europe-wide marketing and computer services network.

The companies say the new infrastructure will meet the telecommunications requirements of large corporations. However, the intention is also to offer new services such as software distribution and personalised newspapers.

VSat systems are able to support a combination of voice and data communications, and can be cheaper than terrestrial equivalents. Some 75,000 two-way VSat systems have been installed in the US.

Canadian insurer studies future of UK business

By Bernard Simon in Toronto and Richard Lapper in London

Canada's financially-troubled Confederation Life Insurance is examining the future of its UK operations ahead of a proposed capital infusion from Winnipeg-based Great-West Life Assurance.

Confederation said its options included the sale of its successful UK arm, which includes a bank as well as group and individual insurance businesses.

The Stevenage-based UK operation had total assets of C$1.8bn (US$1.3bn) at the end of last year, and manages funds of some £5bn ($7.6bn). Pre-tax profits in 1993 were £27.9m compared with £14.2m in 1992. Premium income last year was £829m against £715m in 1992.

The company is one of the leading providers of pooled pension products for medium-sized companies, while its team of 850 direct sales agents markets a range of unit-linked individual insurance contracts, including standard term and savings products.

Last year's results included a C$7.1m profit from Confederation Bank, whose growth has recently been spurred by an offshore deposit-taking operation in Jersey.

The bank offers residential mortgage loans and deposit account facilities.

Overall, the UK subsidiary, which began trading in 1906, has 1,600 employees and 58 regional branches.

Confederation is a mutual company owned by its policyholders. It has suffered from the downturn in the North American property market, which resulted in loan losses of C$147m last year.

Great-West, which is controlled by Power Corporation of Montreal, has already come to Confederation's rescue by buying some illiquid assets. Great-West has also proposed a "strategic alliance", which will in practice amount to a takeover. The two companies aim to agree on the terms of the deal by the end of July.

German banks buy holdings in Buderus

Dresdner Bank and Commerzbank have each bought 10 per cent of Buderus from Metallgesellschaft, the troubled industrial and mining group, Reuter reports from Frankfurt.

Metallgesellschaft sold its 79.9 per cent stake in the heating appliances group in a placement which would lead to a cash injection of DM1.2bn, Deutsche Bank, its largest creditor, said earlier this month.

Commerzbank's purchase of a 10 per cent stake "arises from the long-standing business links between Buderus and Commerzbank", the bank said.

Metallgesellschaft sold its Buderus stake as part of a restructuring after creditor banks to Metallgesellschaft agreed to a DM3.4bn ($2.1bn) rescue package at the beginning of this year.

● Mr Hermann Mund, chairman of Deckel Maho, the German machine-tool maker, said the company was not in danger of collapse and the group would emerge from bankruptcy, Reuter reports from Munich.

"The company will at all events continue in operation, probably with partners," Mr Mund said.

Possible partners include machine-tool makers Gildemeister and Traub.

Thomson-CSF, Thorn EMI in talks on missile business

By David Buchan in Paris

Thomson-CSF, the French electronics company, is planning to buy the missile electronics and optronics business of Thorn EMI, the diversified UK industrial group.

The deal, which would give Thomson-CSF the European lead in missile electronics that it already holds in optronics, is subject to final contract negotiation and approval by the French and UK governments.

The terms were therefore not disclosed for the planned purchase. The Thorn EMI units have a turnover of £90m, with slightly more than two-thirds coming from missiles and the remainder from optronics.

Mr Francois Carayol, strategic director for Thomson-CSF, said the deal would lead to closer co-operation with British Aerospace Dynamics, with whom Thorn EMI works on the Rapier and Asraam missiles. It would also increase Thomson-CSF's workshare on the Trigat anti-tank missile developed by France, the UK and others.

Mr Carayol claimed this would not cause conflict with Matra, the missile making division of the French Lagardère group, which is separately negotiating with BAe to form a joint missile company.

Matra puts a lot of Thomson-CSF electronics into its missiles, he said. "The electronics companies are joining up just like the missile makers", he commented, in a move that reflects increasing mergers between companies faced with static or declining defence budget orders.

Thomson-CSF already has a Anglo-French joint venture with Pilkington Optronics. It said that the new deal would give it a role in the European Fighter Aircraft, for which Thorn EMI is developing the search and track system. The French company also has two other joint ventures with UK companies – with Shorts of Belfast on missiles, and with Ferranti on sonar.

Avesta raises profits forecast

By Hugh Carnegy in Stockholm

Avesta Sheffield, the Swedish-British stainless steel group, has revised upwards its profits forecast for 1994, on the strength of rising sales prices for stainless steel.

Avesta, 40 per cent-owned by British Steel, returned a SKr111m ($14.2m) profit after financial items in the first quarter of this year, on sales of SKr3.98bn. It said at the time it expected that level of profitability would be maintained for the whole year.

The group says the return will be "significantly better" if current market trends continue. Avesta Sheffield, formed in 1992 through a merger between Sweden's Avesta and the stainless steel interests of British Steel, showed a loss in 1993 of SKr98m.

● Volvo has sold a data company specialising in airline crew timetable calculation to Ad Opt Technologies of Canada for US$3m. The sale is part of the Swedish group's strategy of divesting all its interests not related to core vehicle manufacturing operations.

Merged, Ad Opt, owned by Canadian institutional investors, and Volvo's Carmen Systems will become a leading specialist in aviation and transport time-tabling, Volvo said. Carmen's clients include Scandinavian Airlines System (SAS), Lufthansa and Alitalia. Ad Opt has concentrated to date on aircraft scheduling in the North American market.

Philips reduces stake in LCD unit

By Ronald van de Krol in Amsterdam

Philips, the Dutch electronics group, has broadened Europe's assault on Japan's domination of the the world market for advanced liquid-crystal displays (LCDs) by selling a 10 per cent stake in its Flat Panel Display subsidiary to E. Merck of Germany.

The transaction means Philips' stake in the company will fall to 70 per cent. It declined to give financial details.

The Dutch group's two existing European partners, the French companies Thomson and Sagem, will each retain their 10 per cent holdings in the Eindhoven-based Flat Panel Display.

E. Merck, a chemicals and pharmaceuticals group, makes materials used in the manufacture of LCDs, and wants to keep abreast of developments in the field, according to Philips.

The Eindhoven factory already sells active LCDs, but full commercial production is not due to start until autumn.

As the only European contender in the LCD market, it is gearing towards challenging the lead built up by Japanese companies such as Sharp, Toshiba and Hitachi.

Flat Panel Display, established in 1993, employs 650 people. Philips has said that the company's potential turnover over the next few years could run into hundreds of millions of guilders.

Unlike passive LCDs, which are widely-used in digital watches, active LCDs can accommodate colour moving pictures, making them an important part of displays in "notebook" personal computers, as well as in consumer electronics. They can also be used as flat-screen televisions.

TSB feels effects of competition

By John Gapper, Banking Editor

Growing competition in a flat retail banking and insurance market was evident yesterday as TSB Group disclosed that income from on-going business rose by only 3.5 per cent in the six months to April 30 to £955m ($1.47bn) from £921m in last year's first half.

TSB's pre-tax profits jumped to £226m from £80m but this was mainly due to a £92m fall in provisions for bad and doubtful debts to £113m and the absence of the previous period's £44m reorganisation charge.

TSB reached its target of a 15 per cent post-tax return on equity. It achieved a 15.5 per cent return compared with 5.7 per cent in the first half of last year and 11.1 per cent for the full year.

Pressure on income emerged despite a 9.5 per cent expansion in the mortgage book to £6.5bn, compared with overall market growth of 2.1 per cent. Loans rose to £17.4bn from £17bn, but risk-weighted assets stayed at £16.1bn.

Mr Peter Ellwood, chief executive, reaffirmed the bank's interest in buying a building society. The aim would be mainly to sell a range of products to the society's members, rather than as a means of increasing mortgage lending. He said Lloyds Bank's £1.8bn bid for Cheltenham & Gloucester Building Society had encouraged other societies because it had shown that they could preserve partial independence if they were acquired.

However, he said that the losses sustained by TSB after buying the merchant bank Hill Samuel in 1987 would make it cautious. "The last time we bought something and said to them 'you keep running it,' it was a bit expensive," he said.

TSB raised its interim dividend by 12.5 per cent to 3.544p. Earnings per share were 9.6p, up from 8.1p. It increased its tier 1 ratio of core capital to risk-weighted assets to 9.1 per cent, against 8.7 per cent.

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UAL's low-cost division to start flying in October

By Richard Tomkins in New York

United Airlines, the biggest US carrier, yesterday stepped up the US air fare war by announcing that its new unnamed low-cost subsidiary would start flying on October 1.

It said the specialised short-haul carrier would take to the skies with an initial daily schedule of 82 flights spread among 14 routes on the West Coast of the US. It declined to specify the routes, but said seven were served by United and seven were not.

Services would be expanded rapidly to 129 flights in November and to 143 flights in December. Fares would be announced later, but would be "very attractive", UAL said.

United's plans for the new airline, dubbed U-2, depend on shareholder approval of its plan to give employees a 55 per cent controlling stake in the parent company in exchange for $4.9bn-worth of labour concessions. The vote is due on July 12.

At least one big institutional investor has said it would vote against the plan. However, if approved, the labour concessions will provide United with the cost structure it needs to fight back against other low-cost carriers such as Southwest Airlines.

United said in addition to low fares, its new operation would feature intensive use of Boeing 737 aircraft with fast turnrounds. But unlike Southwest, it plans to offer first-class as well as economy class, seat assignments at the airport, and in-flight food and drink.

United will be the second of the big US carriers to set up a low-cost airline-within-an-airline to compete with smaller low-cost carriers. The first was Continental Airlines with its CALite operation. A third big carrier, Delta Air Lines, has rejected the idea in favour of all-round cost cutting.

CPC Intl to shed 2,600 jobs in cost cutting plan

By Richard Tomkins

CPC International, the US-based food company whose brands include Hellmann's mayonnaise, Knorr soups and Mazola corn oil, is to shed 2,600 jobs from its international workforce of 39,000 over the next two years as part of a cost-cutting plan.

It said the restructuring would bring a pre-tax charge of $227m to second-quarter profits, equivalent to $137m after tax or 92 cents a share.

About two-thirds of the charge represented the non-cash costs of writing off assets, including some plant closures, it said.

CPC has been increasing efficiency over several years by consolidating production. Past moves have included the closure of six plants in North America and substantial relocation of production within Europe.

Yesterday, however, Mr C.R. Shoemate, chairman and chief executive, said the action already taken was not enough. "The charge announced today represents a longer-term, more aggressive view. We are taking actions now for competitive advantage in the major world markets at the end of the decade," he said.

A large proportion of the job cuts will fall in Europe, where unification is increasing cross-border competition. CPC is responding by transferring production of its various brands to the plants where they can be produced most efficiently – for example, by moving production of its Knorr products for the Nordic market from Switzerland to the Netherlands.

CPC is taking similar action to increase the efficiency of its consumer food businesses in North America. It said it was also taking steps to strengthen its competitive position in its Latin American corn refining business.

In the first quarter, volume gains and lower financing costs helped CPC report a 9 per cent increase in net income to $98.1m on turnover 6 per cent ahead at $1.74bn.

Market turmoil puts 'King Kidder' to test

Few expect the market for mortgage-backed bonds to rebound, writes Richard Waters

In the $1,600bn market for mortgage-backed bonds, Kidder Peabody is the undisputed king. Even after the recent turmoil, in the market and at Kidder, it remains the dominant force in the market.

The question for Kidder, is whether this market, which until recent months provided the bulk of its profits, will ever rebound to 1992-93 levels.

Mortgage-backed bonds, known as pass-throughs, are created by securitising pools of domestic mortgage loans. But only about half of all mortgage-backed bonds outstanding are held as plain pass-through securities. The rest have been converted into structured bonds, each with a different risk and payment profile. These structured securities are known as collateralised mortgage obligations (CMOs).

It is in the creation of CMOs that Kidder has made its name. It is the activity that has given rise to most speculation on Wall Street about the firm's financial health.

CMOs are structured to meet the different risk appetites and cashflow needs of different customers. For example, US banks – traditionally big buyers of CMOs, though their purchases have dropped sharply – have used short-term securities to lift the yield on their large bond portfolios, while adjusting the interest-rate sensitivity in their basic banking business.

Plain mortgage-backed bonds are highly liquid but the tranches of individually-tailored CMOs into which they are carved may not be – particularly when prices are falling and there are few buyers. That is what happened in recent months.

In the rout in US fixed-income markets as the Federal Reserve raised interest rates this spring, mortgage-backed bonds fell faster than most.

Mr Joseph Hu, an analyst at Oppenheimer, says the benchmark mortgage-backed issue, the 8 per cent Ginnie Mae bond maturing in 2008, yields about 100 basis points more than Treasuries. Last year, that spread averaged 80-85 basis points.

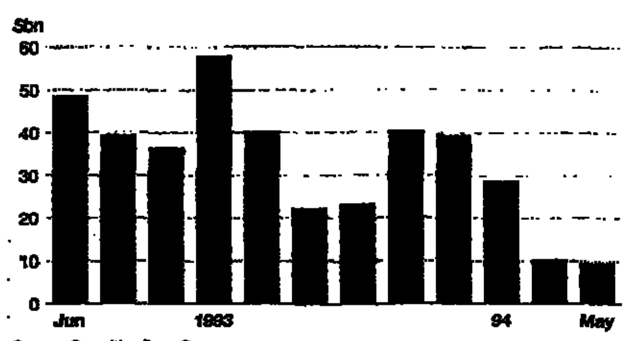
Since these bonds are backed by the US Treasury, the premium mainly reflects a risk which is unique to mortgage-backed bonds. If borrowers opt to pay off their loans early as interest rates fall (as happened last summer) bond holders are faced with reinvesting at the new, lower market rates.

On the other hand, if borrowers choose not to pre-pay the loans because interest rates are rising (the experience of this spring) then the average lives of the bonds are extended, making their yields less attractive.

With a positive US yield curve – albeit not as steep as at the start of the year – bond holders demand a higher yield for holding longer-term bonds.

The recent swings in the interest rate cycle has earned mortgage-backed securities the nickname 20-20 bonds. "They could last 20 months, or 20 years," says Mr Hu.

US mortgage-backed issues



Source: Securities Data Company

Banks have been among the biggest sellers of CMOs. For regulatory reasons they hold mainly short-term paper, and are forced to sell as the bonds' duration grows longer. The pressure has spilled over into other fixed income markets, as managers have sold long-dated Treasuries or other liquid bonds to offset the extra duration injected into their portfolios by the changing pre-payment habits of mortgage holders.

These pressures have made the mortgage-backed market one of the biggest sources of concerns among followers of the securities industry.

With falling prices and less liquidity, it is no surprise that Kidder has been besieged by reports of big losses. It has suffered indirectly from the loss of liquidity that hit some parts of the CMOs market.

Askin Capital Management, a specialist fund group that invested in CMOs, declared itself insolvent as the market dried up. Kidder, which traded heavily with the firm and held its bonds as collateral, faces a loss of about $20m.

Kidder has denied similar problems in its portfolio. Since March, the firm had cut its holdings of CMOs to under $10bn from $16bn, Mr Jack Welch, chairman of General Electric, the firm's parent, said. This was not a fire-sale, added Mr Dennis Dammerman, the GE chief financial officer who was this week put in to run the firm. With fewer new bonds being underwritten, it was natural for Kidder's inventory levels to run down.

GE and Kidder deny that Kidder has sold off its most liquid holdings first, leaving it with securities with no ready market. The firm had made sales from every part of its bond portfolio in recent weeks, said Mr Dammerman. Its holdings of bonds which have been on its books for more than six months have fallen to $430m in the past month from $600m. The valuation of its portfolio has been scrutinised by auditors KPMG, among others.

Inevitably, given its position as the biggest trader in this market, Kidder has taken losses. GE put these at $25m-$30m since the end of March. This was far less than the $100m that an internal analysis last autumn had suggested it could lose in such circumstances, Mr Welch said. Such stress-testing is common among securities firms as a way of assessing their potential exposure to rapid price movements.

The direction of the mortgage-backed market, and a review of Kidder's internal controls in the wake of the Joseph Jett scandal, could prove more significant for Kidder in the long term. New issue volume has dried up in recent months as demand for the bonds has fallen. Few expect a repeat of the recent bull market in bonds.

Kidder is at least holding its position in the market, whatever its internal troubles. In the first three months of this year, it underwrote $26bn of bonds, or a quarter of all new bonds sold, according to figures compiled by Securities Data. This was more than double the market share of its nearest rivals. Since the end of March, it has remained in front, with a market share of 19 per cent, ahead of Salomon, with 17 per cent of the market.

Canadian group buys polyols units from ICI

By Bernard Simon in Toronto

ICI, the international chemicals group, is to sell some of its North American operations to Harrowston, a Toronto-based company which emerged from the ashes of the fallen Belzberg family empire.

Harrowston declined to reveal terms but said the deal would be all cash.

The deal involves ICI's polyols businesses and includes a factory in Delaware which makes a wide range of polyhydric alcohols used in the pharmaceutical, oral care and confectionery markets. The deal remains subject to US regulatory approvals and completion of detailed negotiations.

Harrowston's chief executive is Mr Brent Belzberg, nephew of Mr Sam Belzberg who made a name in the 1980s as one of North America's most formidable corporate raiders. The Belzbergs' empire, linked through the First City Financial group, was hit by several loss-making investments and the slump in real estate markets.

Harrowston was created from First City's remnants in the early 1990s and recapitalised by a group of large Canadian institutional investors. The Belzberg family no longer has a stake in the company, beyond a small shareholding and options held by Mr Brent Belzberg.

As in its latest deal, Harrowston's strategy is to buy businesses put on the block as part of the rationalisation of much larger companies.

It has bought ICI's North American sulphur products division as well as a small division of Du Pont, the US chemicals group, and a retail meat distributor.

Rio Algom reorganises in North America

By Robert Gibbens in Montreal

Rio Algom, the Canadian mining group which brought the Cerro Colorado copper property in northern Chile on stream last February, is reorganising its north American metals distribution business.

The Atlas Alloys operation with 12 service centres in Canada, Vincent Metals with 15 locations in the US, and Aceromex in Mexico, together with annual sales of nearly C$600m (US$433m), are being put into a new division called North American Metals Distribution, headed by Mr Norman Smith, now president of Vincent.

During the recession, Rio Algom considered selling its metals distribution business because of poor prices and low margins, but it has now decided to develop it further in Canada and US.

"Margins are better in the US where we are likely to expand by acquisition," said Mr Forbes West, vice-president. "But strong Canadian capital spending could justify growth in Canada as well."

Rio Algom has invested US$280m in 100 per cent-owned Cerro Colorado. The mine uses the solvent extraction process and has annual capacity of 40,000 tonnes. This will be increased by 50 per cent in the next few years. Rio Algom is also exploring other Latin American based metals properties.

RTZ sold its 51.5 per cent interest in Rio Algom in 1992 for C$362m. Since then the company has pushed ahead in Chile, plans to develop a US$250m zinc-copper property in Wisconsin jointly with Exxon, and is buying a 25 per cent royalty interest in the pre-tax profits of the rich Polaris zinc mine in the Canadian arctic. Rio Algom also gets a 25 per cent interest in any expansion of reserves.

The Wisconsin mine and the C$57m investment in Polaris will provide Rio Algom with a strong base in zinc.

Danish broker stops trading

By Hilary Barnes in Copenhagen

Benzon Bankier, the Danish private banking company which filed for bankruptcy on Tuesday, suspended payments yesterday by Benzon & Benzon, its stockbroking arm.

Benzon & Benzon is one of Copenhagen's small but respected independent brokers, with extensive international connections. Last year it made a profit of DKr9.7m ($1.5m) and had assets of DKr107m.

LEGAL NOTICES

NOTICE OF CREDITORS' MEETING UNDER SECTION 48 (2) OF THE INSOLVENCY ACT 1986

Overmoon Limited
Company No: 1824551

Registered in England
Principal place of Business:
9/15 Helmsley Place, London E8

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at St Andrew's House, 20 St Andrew Street, London EC4A 3AY on Friday, 15 July 1994 at 10.00am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors by or under the Act.

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Date: 20 June 1994
Signed T R Harris
T R Harris
Joint Administrative Receiver
Coopers & Lybrand, St Andrew's House
20 St Andrew Street, London EC4A 3AY

[illegible]

NO. 2754 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
BEMROSE CORPORATION PUBLIC LIMITED COMPANY
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division dated the 8th June, 1994 confirming that cancellation of the Share Premium Account of the above named company of £42,054,662 was registered by the Registrar of Companies on 21st June, 1994.

Dated this 24th day of June 1994
Denton Hall, Five Chancery Lane, Clifford's Inn, London EC4A 1BU
Ref: MJH (7811C)
Tel: 071 242 1212
Solicitors for the above-named Company

The High Court, 1994 No. 66 COS (ct.5)

IN THE MATTER OF
EUROPEAN LEISURE
PUBLIC LIMITED COMPANY
AND
IN THE MATTER OF
THE COMPANIES ACTS, 1963-1990

NOTICE IS HEREBY GIVEN that the order of the High Court of Ireland dated the 21st day of March, 1994 confirming the reduction of the capital of the above-named company and an [illegible]

A & L Goodbody
Solicitors for the Company

PUBLIC NOTICES

THE INSURANCE COMPANIES ACT 1982

THE YASUDA FIRE AND MARINE INSURANCE COMPANY OF EUROPE LIMITED ("YASUDA EUROPE")
TRANSFER OF GENERAL BUSINESS

NOTICE IS HEREBY GIVEN that Yasuda Europe applied to the Secretary of State for Trade and Industry on 16th June 1994 for his approval, pursuant to Section 51 of the Insurance Companies Act 1982, to transfer to The Yasuda Fire and Marine Insurance Company of Europe Limited [illegible]

[illegible]

China development bank focuses on infrastructure

By Tony Walker in Beijing

The newly-established State Development Bank, an important element of China's financial sector reforms, expects to lend Yn80bn ($9.3bn) this year for projects in such areas as power generation, transport and telecommunications.

Mr Yao Zhenyan, president of the bank – which has been modelled on the Development Bank of Japan – said that the process of evaluating loan requests began within days of the bank being formed in May.

The bank's most important function will be to assume the state-oriented lending responsibilities presently shouldered by China's "big four" specialised banks, allowing them to become commercial entities.

The specialised banks had functioned almost as aid agencies for the government's infrastructure needs and were given little encouragement to make independent assessments of the projects.

Mr Yao indicated that the new bank would concentrate its energies in the power sector (where there is significant demand for capital), telecommunications and transport.

The bank, which has registered capital of Yn50bn, would raise Yn65bn for lending to development projects. It would rely on central government support, but would also tap the commercial banks and eventually would float bonds domestically and internationally.

Mr Yao said the bank would shy away from lending for construction, which would be the main responsibility of the Agriculture Development Bank, one of three recently established policy-lending institutions. The other is the Import and Export Credit Bank.

But the State Development Bank would support large construction projects such as the Three Gorges dam on the Yangtze river. It was providing Yn3bn in loans this year for the civil works.

Mr Yao was adamant that the bank would not assume responsibility for the bad loans of the specialised banks.

Western officials had predicted this would be one of the bank's functions.

"We say old problems should be solved through old channels, and new problems should be solved using new methods," he said. "If we take over the problems our bank would go bankrupt in three years.

"While commercial banks must be profit-oriented, our bank must not be loss-oriented," he added. "This demands that what we will run is a bank and not a currency pool."

Some estimates have put China's infrastructure requirements to the year 2000 at Yn700bn. This includes 121 important projects designated by the state.

The State Development Bank also planned to participate in BOT (build-operate-transfer) funding operations and other forms of financing aimed at attracting foreign capital.

Mr Yao ranked China's three priority infrastructure areas as the Three Gorges project, the Beijing-Kowloon railway, and power plants "all the way to Tibet".

Havas chief sees 'real opportunity' for growth

By Alice Rawsthorn in Paris

Havas, the French media and leisure group, yesterday confirmed that it was on course for profits growth this year and announced plans to reinforce its links with France Telecom, the state-controlled telecommunications group.

Mr Pierre Dauzier, chairman, told Havas's annual general meeting in Paris that it had "a real opportunity for profits recovery" in 1994. Havas, which was hit last year by economic recession, saw net profits fall to FFr708m ($129m) from FFr823m in 1992.

The group has already experienced an increase in sales this year with turnover growth of 6.1 per cent for the first quarter continuing through April and May. It should also benefit from exceptional profits on various transactions against a FFr60m exceptional debit last year.

Havas said it expected to make an exceptional profit of FFr55m on a deal completed yesterday whereby it has taken full control of Office d'Annonces (ODA), the advertising arm of France Telecom's directories.

The deal leaves France Telecom as a significant minority shareholder in Havas with a 5.5 per cent stake following the issue of 2.7m new Havas shares.

Mr Dauzier yesterday stressed that the ODA transaction was intended to be a catalyst for future co-operation between the two French groups. "This deal cements our relationship," he said.

The relationship between Havas and France Telecom has already attracted controversy following the recent row over the resignation of Mr André Rousselet as chairman of the Canal Plus media group.

Mr Rousselet's resignation followed moves against him by Havas and other shareholders. Mr Rousselet claimed the moves were part of France Telecom's long-running efforts to win influence over Canal Plus.

AT&T's hidden global agenda

Unisource alliance does not tell whole story, writes Andrew Adonis

Yesterday's announcement of an international telecoms alliance between AT&T and Unisource, the joint venture between the national operators of Sweden, Switzerland and the Netherlands, was as significant for what it concealed as for what it revealed.

While the Unisource deal confirms AT&T's European ambitions, it raises questions about the group's strategy in Latin America and its future relationship with Cable & Wireless, the UK operator.

The alliance with Unisource had been expected. A year ago, when AT&T launched its Worldsource venture with KDD, the Japanese telecoms group, and Singapore Telecom, it said it needed European partners to be credible and planned to gain them by the end of 1994.

Worldsource's brief is to exploit the market for one-stop facilities for multinational companies. Of an estimated 2,400 multinationals, 800 have facilities in Europe. Europe's markets are slowly opening up to competition from new entrants against national operators. An alliance with insiders was critical to AT&T.

British Telecommunications ruled itself out by forming a $5.3bn alliance with MCI, AT&T's most bitter rival in the US long-distance market. AT&T tried to secure the other two European telecoms giants, Deutsche Telekom and France Telecom. However, its efforts failed amid a growing perception that an alliance worth forging would probably fall foul of regulatory authorities unprepared to tolerate a union

Alex Mandl: masterminded the Unisource negotiations

of three of the world's four largest telecoms operators.

That left AT&T with only one serious European option – Unisource, a joint venture launched earlier in the year. It was not just a process of elimination. Mr Alex Mandl, the Austrian-born chief executive of AT&T's communications services division who masterminded the negotiations, did not underestimate the potential to weld Europe's smaller operators into a strong third force.

Unisource's attraction to AT&T was heightened by two alliances it formed last year: with Telefonica, the Spanish national operator; and with Sita, a global data network operator owned by airlines, aviation and freight companies, opening up a potentially lucrative market for "one-stop" international telecoms services.

Unisource was urgently seeking a US alliance. Earlier this year it came together with AT&T in a successful bid to provide telecoms facilities to an association of more than 30 European multinationals. Yesterday's deal flowed from there. "It brings us what we needed to make a strong competitor in this international market," said Mr Viesturs Vucins, Unisource chief executive.

For Unisource the benefits are worldwide reach; AT&T's brand name; and access to AT&T's standards and products, of which the most important is its corporate "voice" networks, which Unisource plans to be marketing under the Worldsource brand by the end of this year.

However, yesterday's announcement concealed two significant aspects of AT&T's international strategy. First, its interest in Telefonica is only partly due to the Spanish operator's European presence: more important, analysts believe, is Telefonica's substantial interests in Latin America, where AT&T's influence is weak and its vulnerability to competition growing.

Telefonica is active in every sizeable Latin American market, apart from Brazil, and expects to draw at least 15 per cent of its revenue from the region this year. Through Telefonica International it has stakes ranging from 6 per cent to 79 per cent in operators in Chile, Argentina, Venezuela, Puerto Rico and Peru.

AT&T has been in talks about taking a stake in Telefonica International separately from its designs on Unisource. That option will remain open, even after Telefonica becomes an equity partner in Unisource – a move expected next month.

AT&T's immediate Latin American interests are defensive. The disparity between incoming and outgoing tariffs between the region and the US has stimulated a growth in operators offering "call back" arrangements, with much of the traffic carried by AT&T's US competitors. Mr Nick Smith, analyst with Crédit Lyonnais Securities in Madrid, said: "AT&T wants to normalise the regime in Latin America, and Telefonica offers the best prospect of doing so."

The second aspect concerns AT&T's relationship with Cable & Wireless, the UK international operator as yet non-aligned in the battle for the multinationals. For the past year C&W has claimed to be its own best strategic partner in the international arena. In reality, the group has been heavily engaged in negotiations with AT&T. Mercury, its UK operation, came close to agreeing to join Worldsource earlier this month; Hongkong Telecom, by far C&W's largest concern, is still in negotiations.

C&W claims that Hongkong Telecom can safely go its own way, since it is relatively insignificant to the global market for multinationals. But if AT&T plugs into the heart of the C&W group, speculation about the future of C&W's limbs will inevitably escalate.

Recapitalisation recommended for Australian retail chain

By Nikki Tait in Sydney

The voluntary administrators of Brash Holdings, the Australian electronics retail chain which ran into financial difficulties when its banks refused to roll over A$61m (US$46.9m) of borrowings last month, are recommending that the company be recapitalised.

The recapitalisation would be undertaken via a A$40m injection from interests connected to Mr Ong Beng Seng, a Singaporean businessman.

The administrators are recommending that the investor take control of Brash's trading assets.

They said that under the agreement with Hotel Properties/Reef Holdings – two companies associated with Mr Ong – unsecured creditors would get an estimated 38 cents in the dollar, while secured creditors could receive up to 75 cents in the dollar. Banks, whose security was established in February 1994, would get 64 cents in the dollar.

HPL/Reef has sizeable interests in Australia, as well as Asia, the US and UK. Its Australian assets range from the Planet Hollywood restaurant in Sydney, to Hyundai Automotive Australia.

According to the administrators, Mr Ong has no plans to break up Brash's, a 170-store chain. They expect the new owner to try to relist the Australian group.

The administrators have been soliciting offers for the company since they were called in on May 2.

They said that 10 proposals or indicative offers had been received, but that the HPL/Reef solution was "the best offer for the business".

Creditors must approve the plan, and a meeting has been called for June 30.

● MIM, the Queensland-based metals group, has signed formal loan agreements for the financing of the McArthur River zinc-lead-silver project in the Northern Territory.

The facilities allow for US$153m of base funding and contingencies and a further A$15m in working capital facilities.

The banks involved are Westpac, NatWest Markets Australia, Crédit Lyonnais, AIDC and Citibank.

The project will cost A$250m and the mine is due to begin commissioning in mid-1995.

Neste swings back into black after shake-up

By Hugh Carnegy in Stockholm

Neste, the state-owned Finnish oil and petrochemicals group, staged a dramatic return to the black in the first four months of the year, rebounding to a FM210m ($39m) pre-tax profit from a loss of FM719m in the same period last year.

The turnround reflected a big restructuring plan instigated last year to halt a succession of losses and prepare the group, at present 97 per cent owned by the state, for partial privatisation.

The government intends to keep a majority stake in Neste, but will eventually sell off the rest of the company.

Group sales in the four months to the end of April fell to FM17.9bn from FM24.6bn, following the merger of Neste's petrochemicals and polyolefins operations in a 50:50 joint venture with Norway's Statoil, called Borealis.

Turnover was also reduced as Neste trimmed its trading activities to ensure trading operations did not account for more than their historical 50 per cent share of group turnover. Neste intends to focus increasingly on oil and energy.

Low crude oil prices held down profitability for Neste's oil production, and refining margins were tight. But operating profit was up sharply at FM443m, compared with FM229m last time, and financial costs tumbled to FM233m from FM948m, producing the turnround at the pre-tax level.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 24.06.94: Pool purchase price £/MWh	Final Prices for Trading on 21.06.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.57	12.29	15.88
0100	11.72	12.29	15.88
0130	11.72	13.20	16.60
0200	11.72	13.20	16.60
0230	11.72	13.28	16.67
0300	11.72	13.28	16.67
0330	11.72	12.29	15.88
0400	11.72	12.29	15.88
0430	11.72	12.29	15.88
0500	11.72	12.29	15.88
0530	11.85	13.34	16.74
0600	11.85	13.34	16.74
0630	17.42	13.24	16.64
0700	23.42	20.87	24.28
0730	23.42	23.35	26.74
0800	25.04	24.19	27.58
0830	25.17	24.07	27.47
0900	25.48	26.90	30.30
0930	26.73	26.90	30.30
1000	26.78	26.60	30.30
1030	26.73	26.90	30.31
1100	26.73	26.90	30.31
1130	26.83	26.91	30.31
1200	26.82	36.31	39.71
1230	26.70	36.30	39.70
1300	25.90	36.29	39.69
1330	25.18	24.19	27.58
1400	25.05	24.05	27.45
1430	25.03	24.05	27.45
1500	25.02	23.60	27.00
1530	24.04	23.60	27.00
1600	24.03	23.58	26.98
1630	24.04	23.58	26.98
1700	24.04	29.99	33.38
1730	24.04	29.99	33.38
1800	23.77	29.99	33.38
1830	24.02	23.35	26.74
1900	23.42	23.19	26.58
1930	22.60	22.53	25.92
2000	22.60	22.09	25.48
2030	22.80	21.70	25.10
2100	22.60	21.05	24.44
2130	22.60	23.88	27.28
2200	22.83	29.50	32.90
2230	26.09	29.50	32.90
2300	26.09	28.43	31.82
2330	26.09	26.96	30.35
2400	26.09	21.05	24.44

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.88/MWh becomes 1.588p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456786 between 8:30am and 5:15pm Monday to Friday.
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INTERNATIONAL CAPITAL MARKETS

Cautious buying extends recovery in European prices

By Conner Middelmann and Graham Bowley in London and Frank McGurty in New York

European government bonds extended Wednesday's recovery yesterday, helped by cautious buying from investors who had been sidelined for weeks.

Some participants said the markets may be bottoming after months of sharp declines. "We are close to the bottom," said Mr Nigel Richardson at Yamaichi International. "We are approaching a level where investors are ready to come back to the market."

However, others said it may take a while before bonds can stage a sustainable recovery.

"If a bullish turnround is actually beginning, a re-test of the lows will be needed to strengthen the base from which to build a sustainable uptrend," argued Mr Karl Haeling, of Deutsche Bank.

"I see this as a much-needed bear-market correction," commented Mr Graham McDevitt of market analysts IDEA. He expects the recovery to continue near-term, underpinned by chart-technical factors, but warned that bonds might succumb to some profit-taking before the weekend.

■ German bonds ended a volatile session firmer, with the longer maturities outperforming the short end. The Bundesbank council's decision to leave official interest rates unchanged prompted some slippage after early rumours of rate cuts.

Cautionary comments from council member Mr Otmar Issing, who said markets should not conclude that the recent pattern of regular five basis point cuts in the securities repurchase rate would automatically continue, further damped interest rate optimism.

Some traders have been speculating that the Bundesbank may set fixed-rate repos through the summer period, possibly at a rate below the current 5 per cent.

In late trading, the September bund future on Liffe was about 0.47 points higher at 92.37.

■ UK gilts gained slightly in thin and nervous trading that saw sharp rises and falls throughout the day.

But analysts remained sceptical about how long the recent improved sentiment – due largely to the halt in the dollar's slide and the perception that a US interest rate increase is not imminent – will last. Most activity continued to take place in the futures market, with few cash transactions.

"The fundamental problems still remain – to do with funding, economic recovery and the strength of inflationary pressures," said Mr Simon Briscoe, of S. G. Warburg Securities. "The market will continue to look for reasons to fall back again," said one trader.

GOVERNMENT BONDS

Analysts confirmed rumours that the Bank of England supplied a modest amount of bonds yesterday to market-makers which have suffered from recent bond volatility.

The Bank announced that a £150m tranche of 4⅛ per cent index-linked gilt due 2004 was exhausted in late afternoon trading.

The long gilt future was up 23/32 points at 100⅞ in late trading, off the day's high of 100 31/32 reached after an early technical squeeze but above the low for the day of 99 23/32.

■ French bonds ended a volatile day sharply higher, lifted by early buying in the futures market and follow-through cash buying in the afternoon. The September notional bond future on Matif rose 1.26 points to 114.70.

■ US Treasury bonds were mixed yesterday morning amid conflicting economic signals and further improvement in the dollar.

By midday, the benchmark 30-year government bond was 1/32 lower at 86 5/32, with the yield rising 7.403 per cent. The two-year note was 1/32 better at 100 1/32, to yield 5.95 per cent.

Two price-sensitive pieces of economic news were released yesterday morning, but neither of them was particularly conclusive.

The Commerce Department said new orders of factory goods last month had risen 0.9 per cent, substantially more than the consensus forecast of 0.4 per cent.

However, the inflationary implications of the gain were mitigated by a 2.5 per cent decline in orders of non-defence capital goods, excluding aircraft.

Treasury prices dipped on the announcement but heavy selling pressure failed to materialise in early trading.

Later in the morning, the Labor Department had some unqualified good news for the fixed-rate investors looking for signs of moderating economic growth.

Initial claims for unemployment benefit last week had climbed by 3,000, against expectations of a 3,000 decline.

In the foreign exchange markets, developments were mildly positive, as the dollar moved above the Y101 mark on unfounded speculation that central banks were poised to intervene on the US currency's behalf.

Commodity prices, excluding gold, were softer, in keeping with a week-long trend.

As a result, Treasuries turned around and nudged in to positive territory by mid-morning.

However, prices soon began to erode again as traders remained tentative pending any convincing developments, either in terms of economic news or movements in the commodity or foreign exchange markets.

Vereinsbank taps Czech fixed-rate debt sector

By Vincent Boland in Prague

Bayerische Vereinsbank has become the first foreign bank to tap the Czech koruna fixed-rate debt market, launching a Kcs1bn issue with a three-year maturity and a coupon of 11 per cent.

The issue, through a subsidiary - BV Finance Praha - and guaranteed by Vereinsbank's Prague branch, was placed with domestic and international banks and was priced at 101.45 per cent.

The bank will use the proceeds for Czech koruna lending. It said it had tapped the Czech koruna market to eliminate currency risk.

Prague has an active and liquid short-term money market but access to long-term capital is difficult.

"Three-year money doesn't exist in the [Czech] interbank market," said Mr David Svojitka, Vereinsbank treasurer in Prague.

"This is the only way to get long-term money at a reasonable price. The market was hungry for a new instrument at an attractive yield."

Domestic companies and the Czech Republic have previously issued Czech koruna bonds but Mr Svojitka said Vereinsbank expected to return to the market again later this year.

The bank has applied for a licence to set up a German-style mortgage bank in the Czech Republic and if the application is successful it "will seek to issue bonds with at least a five-year maturity".

Three further Czech koruna issues are expected to come to the market this summer. Bankers say another foreign institution may make an issue later this year.

Forex dealers expect stable three months

By Tracy Corrigan

Foreign exchange dealers expect currency markets to be relatively stable in the next three months, according to a survey by Foreign Exchange Letter, a newsletter published by Institutional Investor.

More than two-thirds of dealers expect there to be no significant change in D-Mark/sterling, French franc/D-Mark, and yen/D-Mark rates.

However, nearly half expect the yen/dollar rate to languish below Y104. (The survey was conducted in mid-June, prior to the recent sharp fall in the dollar.)

Among chief dealers, 67 per cent expect to see more portfolio fund management business, and 33 per cent predict more leveraged fund business.

Improvement in sentiment brings a flurry of issuance

By Antonia Sharpe

There was an emerging-market flavour to the eurobond market yesterday as an improvement in sentiment in European government bond markets encouraged a flurry of issuance in a variety of currencies.

The Province of Buenos Aires launched its first deal under its medium-term note programme when it raised $100m through an offering of three-year eurobonds.

Lead manager Salomon Brothers said the bonds were mainly bought by emerging market funds in the US through the 144a tranche. A portion of the offering, which was priced to yield 333 basis points over Treasuries, was swapped into yen to appeal to Japanese investors.

The other emerging-market borrower of the day was the National Bank of Hungary which made its first appearance in the euro-guilder sector.

Lead manager ING Bank said the deal was part of the issuer's strategy of broadening its investor base and accessing

INTERNATIONAL BONDS

more markets. Syndicate managers noted that this was also the first euro-guilder offering by an emerging market borrower for five years.

The Fl 150m issue of five-year bonds, which were priced to yield 235 basis points over comparable Dutch government bonds, was bought mainly by domestic institutions attracted by the yield spread. When the bonds were freed to trade, they traded at 98.70, down from the re-offer price at the launch of 98.835.

Rabobank also tapped the five-year area of the euro-guilder sector when it raised Fl 500m. Some syndicate managers expressed surprise at the yield spread of 18 basis points over five-year Dutch government bonds which in their view was several basis points wider than Rabobank's usual target.

They said the generous pricing reflected the issuer's desire to ensure a favourable response from investors to this relatively large deal. The bonds were targeted mainly at retail investors since institutions were still looking at the longer end of the yield curve.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Fingerhut, Class A(a)‡	715.90	(b)	100.00R	Jun.2001	0.30R	-	Merrill Lynch Intl.
Fingerhut, Class B(a)‡	92.05	(c)	- R	Jun.2001	0.35R	-	Merrill Lynch Intl.
Fingerhut, Class C(a)★★‡	92.05	(d)	-	Jun.2001	0.35	-	Merrill Lynch Intl.
Indah Kiat Intl.Finance(e,f)	150	11.375#	100.00	Jun.1999	2.00	-	Morgan Stanley Intl.
Indah Kiat Intl.Finance(e,f)	200	11.875#	100.00	Jun.2002	2.25	-	Morgan Stanley Intl.
Indah Kiat Intl.Finance(e1,f)	150	12.50#	100.00	Jun.2006	2.50	-	Morgan Stanley Intl.
Province of Buenos Aires	100	9.50#	99.74R	Jul.1997	1.00R	+333(6¾%-97)	Salomon Brothers Intl.
D-MARKS							
Wuestenrot Finanz‡	500	(g)	99.755R	Jul.1999	0.35R	-	CSFB-Effectenbank
CS Holding Finance	250	6.75	99.57R	Jul.1999	0.30R	+40 (5⅝%-99)	CSFB-Effectenbank
YEN							
Sumitomo Realty & Dev.(h)★★	30bn	3.85	100.175R	Jul.1998	0.30R	-	Daiwa Europe
LW Rentenbank★‡	10bn	(i,j)	100.00	Nov.1998	undisc.	-	Nomura International
GUILDERS							
Rabobank Nederland	500	6.875	99.80R	Jul.1999	0.25R	+18 (7¼%-99)	Rabobank Nederland
National Bank of Hungary	150	8.75	98.835R	Jul.1999	0.30R	+235(7¼%-99)	ING Bank
SWISS FRANCS							
LB Hessen-Thuringen	100	5.25	102.35	Aug.1999	standard	-	Credit Suisse
SBC Finance Cayman Is.§	100	5.375	102.00	Jul.1998	standard	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★★Private placement. ★Unlisted. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Global asset backed issue. Average life: 3.01, 3.59 and 3.78 yrs for Classes A, B & C respectively. Class D: $122.78m nominal was privately placed. b) 1-mth Libor +30bp; max 12%. c) Priced later at 1-mth Libor +50-55bp; max 12%. d) Priced later at 1-mth Libor +90-95bp; max 12%. e) Three tranche global issue. e1) Callable on 15/6/01, 02 & 03 at 106¼%, 103⅛% & par respectively. f) Short 1st coupon. g) 6-mth Libor +15bp. h) Short 1st & 2nd coupons. i) 3½% for 2 yrs & 3 mths and 6-mth Libor -⅛%, min 3½%, max 5.3%, thereafter. §) Issue launched 15/6/94 was increased to SFr200m.

Elsewhere, the D-Mark sector saw some activity as Wuestenrot Finanz, the German mortgage institution, issued DM500m of five-year floating-rate notes. The discounted margin on the notes was 21 basis points over Libor.

The deal was arranged by CS First Boston which also raised DM250m for itself through an offering of five-year eurobonds.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	96.1200	+0.930	9.60	9.61	9.11
Belgium		7.250	04/04	95.2000	+0.650	7.97	8.11	7.72
Canada *		6.500	06/04	82.4500	+1.000	9.24	9.12	8.49
Denmark		7.000	12/04	91.9500	+1.650	8.16	8.36	7.70
France	BTAN	8.000	05/98	103.4600	+0.340	7.03	6.97	6.39
	OAT	5.500	04/04	85.9600	+0.390	7.57	7.83	7.07
Germany Treuhand		6.750	05/04	98.2900	+1.420	6.89	7.19	6.87
Italy		8.500	01/04	89.0600	+0.760	10.33†	10.58	9.48
Japan	No 119	4.800	06/99	104.4170	+0.480	3.75	3.53	3.06
	No 164	4.100	12/03	97.9280	–	4.41	4.19	3.73
Netherlands		5.750	01/04	91.1200	+0.440	7.05	7.23	6.97
Spain		10.500	10/03	99.4500	+1.750	10.58	10.50	9.65
UK Gilts		6.000	08/99	90-24	+7/32	8.25	8.24	7.83
		6.750	11/04	87-21	+7/32	8.56	8.63	8.26
		9.000	10/08	103-09	+9/32	8.59	8.65	8.37
US Treasury *		7.250	05/04	101-05	+14/32	7.08	7.10	7.10
		6.250	08/23	86-08	+11/32	7.41	7.40	7.35
ECU (French Govt)		6.000	04/04	86.6500	+1.000	8.01	8.12	7.56

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	3.74	Two year	5.95
Prime rate	7¼	Two month	4.10	Three year	6.25
Broker loan rate	5½	Three month	4.26	Five year	6.70
Fed.funds	4¾	Six month	4.74	10-year	7.08
Fed.funds at intervention	-	One year	5.24	30-year	7.39

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	114.82	114.70	+1.26	115.24	113.94	358,458	129,357
Dec	113.70	113.78	+1.26	114.28	113.20	1,228	10,767
Mar	112.90	113.00	+1.26	113.48	112.48	152	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Sep	Calls Dec	Puts Jul	Puts Sep	Puts Dec
112	2.80	-	4.03	0.30	1.44	-
113	2.04	3.38	-	0.50	1.78	-
114	1.33	2.89	2.72	0.85	2.05	-
115	0.85	2.20	-	1.15	2.55	-
116	0.37	1.88	1.75	1.73	2.88	3.86

Est. vol. total, Calls 61,940 Puts 59,547. Previous day's open int., Calls 344,894 Puts 382,146.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.19	92.43	+0.53	92.72	91.94	214950	181107
Dec	91.90	91.70	+0.53	92.00	91.45	1119	3530

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
9200	0.43	1.45	1.78	1.97	0	1.02	1.35	2.27
9250	0	1.17	1.50	1.70	0.07	1.24	1.57	2.50
9300	0	0.93	1.24	1.45	0.57	1.50	1.81	2.75

Est. vol. total, Calls 45813 Puts 25115. Previous day's open int., Calls 247848 Puts 237005

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	97.43	+0.07	-	-	0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	104.45	104.30	+0.45	105.15	103.63	58563	60851
Dec	103.90	103.25	+0.45	103.90	103.90	10	100

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10400	2.49	3.14	2.19	3.89
10450	2.21	2.92	2.41	4.17
10500	1.95	2.71	2.65	4.46

Est. vol. total, Calls 2791 Puts 1940. Previous day's open int., Calls 25807 Puts 22747

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	89.80	89.71	+1.16	90.13	89.25	81,039	93,994
Dec	-	89.20	-	-	-	-	3

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101-16	101-22	+0-21	101-20	101-08	961	9007
Sep	100-08	100-14	+0-21	100-31	99-23	74934	119718
Dec	99-12	99-14	+0-21	99-12	99-12	344	67

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
100	2-32	3-07	2-04	3-43
101	2-00	2-43	2-36	4-15
102	1-36	2-18	3-08	4-54

Est. vol. total, Calls 5865 Puts 2128. Previous day's open int., Calls 57278 Puts 43785

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	83.48	83.16	+1.06	83.60	82.60	1,517	5,831
Dec	-	82.72	+1.08	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	103-22	103-14	-0-13	103-26	103-09	435,855	363,855
Dec	102-31	102-24	-0-08	103-02	102-19	545	36,356
Mar	101-31	102-02	-0-05	102-02	101-31	10	3,041

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	109.13	-	-	109.42	109.05	2981	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thur Jun 23	Day's change %	Wed Jun 22	Accrued interest	xd adj. ytd		Low coupon yield Jun 23	Jun 22	Yr. ago	Medium coupon yield Jun 23	Jun 22	Yr. ago	High coupon yield Jun 23	Jun 22	Yr. ago
1 Up to 5 years (24)	121.07	+0.49	120.48	1.52	5.77	5 yrs	8.29	8.52	6.97	8.48	8.66	7.15	8.56	8.79	7.33
2 5-15 years (22)	139.57	+1.31	137.77	1.97	6.42	15 yrs	8.48	8.68	7.97	8.63	8.83	8.06	8.93	9.12	8.34
3 Over 15 years (9)	157.13	+1.84	154.28	2.70	5.41	20 yrs	8.43	8.61	8.13	8.63	8.83	8.19	8.73	8.92	8.39
4 Irredeemables (6)	177.14	+2.07	173.55	1.90	6.36	Irred.†	8.54	8.71	8.29						
5 All stocks (61)	137.50	+1.14	135.94	1.94	6.09										

Index-linked							Inflation 5% Jun 23	Jun 22	Yr. ago	Inflation 10% Jun 23	Jun 22	Yr. ago
6 Up to 5 years (2)	186.34	+0.25	185.87	1.13	2.53	Up to 5 yrs	3.72	3.81	2.98	2.66	2.75	2.30
7 Over 5 years (11)	170.96	+0.56	170.02	0.62	2.65	Over 5 yrs	3.91	3.95	3.54	3.72	3.75	3.35
8 All stocks (13)	171.69	+0.53	170.79	0.67	2.63							

Debentures and Loans						5 year yield Jun 23	Jun 22	Yr. ago	15 year yield Jun 23	Jun 22	Yr. ago	25 year yield Jun 23	Jun 22	Yr. ago
9 Debs & Loans (76)	127.95	+1.54	126.01	2.08	5.55	9.68	9.85	8.68	9.59	9.77	9.04	9.51	9.69	9.21

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	June 23	June 22	June 21	June 20	June 17	Yr ago	High*	Low*
Govt. Secs. (UK)	92.10	91.95	90.99	91.14	91.79	98.67	107.04	90.99
Fixed Interest	108.45	107.33	107.70	108.31	108.37	114.57	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	June 22	June 21	June 20	June 17	June 16
Gilt Edged bargains	93.4	92.9	98.7	93.1	96.5
5-day average	94.9	96.8	100.6	101.9	101.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 23

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92¼	92½	+⅜	7.73
Alberta Province 7⅝ 98	1000	101¾	102⅛	+¼	7.13
Austria 8½ 00	400	105⅞	106⅛	+⅛	7.17
United Kingdom 7¼ 97	5500	102⅛	102¼	+⅛	6.38
Volkswagen Intl Fin 7 03	1000	97¼	97⅝	+1⅜	7.43
World Bank 0 15	2000	20¼	20⅝		7.71
World Bank 5⅜ 03	3000	91	91⅛	+⅛	7.22
Abbey Natl Treasury 8 03 £	1000	91⅝	92	+⅝	9.43
Alliance Leics 11⅞ 97 £	100	108	108½	+⅛	8.13
British Land 8⅞ 23 £	150	86⅝	87⅛		10.56
Denmark 6¾ 98 £	800	94⅛	94½	+⅛	9.39
[illegible]					

(Remaining entries of the U.S. dollar straights, other straights, Swiss franc straights, yen straights, other straights, Deutsche Mark straights, floating rate notes and convertible bonds sections: [illegible])

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts (Lives up to Five Years)						
Treas. 10pc Ln. 1994‡‡	10.00	-	100	—	102⅛	100
Exch 12¼pc 1994	12.47	5.01	100⅝	-⅛	104⅜	100⅝
Treas 9pc 1994‡‡	8.87	5.19	101⅜	-⅛	103⅜	101⅜
12pc 1995	11.55	5.19	103⅞xd	—	107⅛	103⅞
Exch 3pc Gas 90-95	3.05	4.97	98⅛	—	98¼	97⅝
10¼pc 1995	9.81	5.82	104⅜xd	+⅛	107⅜	104½
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
10pc 2003	9.32	8.83	107⅛	+1⅛	127⅛	105⅜
Treas 11½pc 2001-4	10.23	9.00	112⅜	+1⅛	129⅜	110⅞
Funding 3½pc '99-4	4.81	7.58	72⅜xd	—	86⅛	71⅛
Conversion 9½pc 2004	9.05	8.75	105	+1⅛	125⅛	103
Treas 6¾pc 2004‡‡	7.70	8.55	87⅜	+1⅛	105⅛	85⅜
Conv 9½pc 2005	9.02	8.72	105⅝	+1⅛	125⅛	103⅛
Treas 12½pc 2003-5	10.33	9.12	121⅛	+1⅛	149⅞	119⅛
[illegible]						

Other Fixed Interest: [illegible]

Notes	(1)	(2)	Price £	+ or -	1994 High	1994 Low
Index-Linked (b)						
2pc '96 (67.9)	2.59	3.81	199¾	+⅛	203⅞	197⅞
4⅝pc '98‡‡ (135.6)	2.74	3.53	107⅞	+⅛	113⅛	106⅛
2½pc '01 (78.3)	3.38	3.80	164⅞	+⅛	176⅞	163⅛
2½pc '03 (78.8)	3.49	3.83	160⅛	+⅛	173⅞	159⅛
4⅜pc '04‡‡ (135.6)	3.52	3.85	108⅛	+⅛	118⅞	107⅛
2pc '06 (69.5)	3.57	3.82	168⅜xd	+⅛	184⅜	165⅛
2½pc '09 (78.8)	3.66	3.88	150⅜	+⅛	168⅛	149⅛
[illegible]						

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Advance bolstered by strong performance from non-core businesses

Southern Electric up at £222m

By Michael Smith

A sharp improvement in the performance of non-core businesses helped Southern Electric, the power distributor in the south-east of England, to increase annual pre-tax profits by 18.5 per cent to £222m, a figure at the top end of City expectations.

Turnover for the 12 months to March 31 fell slightly to £1.78bn (£1.8bn). Earnings per share were ahead 17 per cent at 64p and the recommended 16p final dividend makes a total of 22.7p, an increase of 15.8 per cent.

While operating profits of the distribution business were up 2 per cent at £182m, the supply business achieved a 49 per cent improvement to £32.4m, including £15m of profits from previous years recovered under regulatory adjustments. Non-core businesses chipped in £18m (£2.4m).

The sharpest improvement was shown by MP Burke, the utility contractor, which lifted profits from £1.7m to £4.3m. Southern's contracting arm also impressed with a £3m contribution, against £600,000 in 1992-93. Losses from Powerhouse, Southern's retailing joint venture, were reduced to £1.7m (£7.2m).

The improved core performance was helped by the company's cost-cutting efforts. In the main business, manpower was 497 down at 4,771.

Southern charged £21.6m against profits for future restructuring and £12m for information technology costs already incurred.

● **COMMENT**

Southern's shares have taken a bigger hit than most of its rec counterparts in recent weeks, but this probably owes more to the institutions targeting bigger companies when offloading stock than to any disenchantment with the group. There was certainly nothing to complain about in yesterday's results. The core job cuts mean that Southern should easily be able to exceed its target of 1,000 within three years from March 1993. Simplifying management structures will also help to reduce costs, which Southern expects by the mid-1990s to be £25m lower than 1992-93 levels. Meanwhile, the non-core business are performing well enough to suggest that the target of producing 15 per cent of profits from them by the end of the century may be over-cautious. Generation activities alone could be contributing £15m to £20m within a couple of years. The potential downside, as for all the recs, is the regulator's distribution review due for completion this summer. However, Southern seems as well placed as any to cope; last year's profits were depressed by a cautious approach to provisioning. And if things get really tough, Southern could perhaps think about releasing some of the £24m it has previously provided for adverse European rulings on pensions; other power companies have already done so. On a prospective yield of about 5.7 per cent, assuming a 25.8p dividend this year, the shares are not overpriced compared with other recs.

Singed fingers among the recs

Michael Smith on the diversification lessons for power companies

The contrast could be *instructive. After electricity privatisation four years ago, East Midlands Electricity was intent on broadening its horizons and became the most acquisitive of the 12 regional power companies.*

Manweb, however, stuck to its core businesses, even to the extent of holding back from the dash for gas in which all other 11 regional companies invested in generation plants.

The two companies were this week displaying the results of their policies. East Midlands was not flattered by the comparison.

While Manweb's pre-tax profits rose by 14 per cent to £126m, East Midlands reported a £100m fall to £51m after taking an exceptional hit of £130m as a result of diversifications into contracting and home security and write-offs on its retailing interests.

It seems to have learnt its lesson. Mr Nigel Rudd, recently appointed chairman, made his name as the head of the acquisitive Williams Holdings, but he says electricity companies should stick to what they know about and concentrate on their core activities.

East Midlands has ruled out for now the possibility of following other regional power companies in providing other utility services. But what about other companies? Are there more non-core problems ahead?

Almost certainly there are; but the worst fears are about what the companies will be tempted to diversify into in the future, rather than what they have already grown or bought into.

After seeing the disastrous results of the privatised water company's forays outside their main business, the power companies have been relatively restrained.

SG Warburg Securities estimates that total investment on non-core activities by the 12 *regional companies is less than* £650m, compared with their market capitalisation of more than £12bn. Water companies, by contrast, have spent about £1.4bn.

And whereas some of the water companies' most calamitous acquisitions were overseas, the recs have ventured seriously outside the UK only recently.

This month Norweb paid $36m (£23.6m) for a 50 per cent stake in two gas-fired co-generation facilities in Virginia. Yorkshire Electricity is to pay an undisclosed sum, thought to be about £100m, for a 17.3 per cent stake in Stockholm Energi.

Norweb's investment is viewed in the City as safe, if unexciting. Yorkshire's foray into Sweden offers opportunities because of the deregulation of that country's power market and is welcomed by analysts.

Other companies are also considering moves abroad. Midlands Electricity and Eastern are looking at buying stakes in distribution companies in the Czech Republic. City reaction would depend on the regulatory regime, which is still being formulated by the republic.

But even here the outlays are likely to be relatively small, perhaps between £20m and £30m for a stake.

In the UK, where most of the diversification has occurred, the biggest acquisition was made by London Electricity, which paid £90m for the electricity distribution networks of its three London airports.

This is performing above expectations, contributing £11m operating profit last year. Again, the City approves because *it is so close in nature* to London's core business.

Similarly there is only limited downside in the recs' moves into power generation. It is possible that Prof Stephen Littlechild, the industry regulator, could rule that these are *too expensive later in the* decade and prevent the companies from passing on the costs of what could be expensive power to customers, but the likelihood seems slim.

He has already said that the deals do not conflict with the companies' obligation to buy power economically.

There is perhaps more concern among investors about rec ambitions to become broad-based utility companies. While it may make sense to sell gas and telecommunication services to customers who already buy power from them, the competition is intense.

Most of the companies have joined the race to get into the gas market before it is opened up to competition in 1996, but telecommunications have attracted fewer recs.

"We looked at it very seriously, but decided it was too risky," says the chief executive of one company. "There are some very big players out there – BT's profits are the same as our turnover – and they can afford to take big losses to crowd competitors out of the market."

Heavy competition is also responsible for extremely tight margins and in some cases losses in the retailing and contracting businesses. These are not businesses which most recs would choose to be in were they starting up from scratch, *but which are difficult and* expensive to withdraw from.

Retailing and contracting are likely to provide most of the difficulties for recs in the next year or so. More losses and write-offs are expected by analysts, although few expect losses of the scale reported by East Midlands.

But perhaps the recs' biggest problems stem from the amount of money they have.

Buying back shares is one way of dealing with the money, but there is strong pressure to do more than that. "On the one hand the City says diversification is bad for regional power companies," says one analyst. "On the other people say managements lack imagination if they do nothing.

"The recs cannot win either way, but there are bound to be one or two that trip up by taking the diversification route."

Going for gas: the construction of the Barking power station

Thorn EMI sells part of defence side to French

By Bruce Clark

Thorn EMI, the rental and music group, has agreed in principle to sell part of its defence activities to Thomson-CSF, the French defence electronics group.

The deal, while not unexpected, amounts to a significant step in the consolidation of the European defence industry, where pressure to merge has been growing because of falling defence procurement budgets.

The terms were not disclosed. Sales of the activities sold, including missile-fusing systems and electro-optics, were about £80m last year. Some 1,100 people work in the division *affected, at Hayes, north-west* of London.

Thomson-CSF is a strong player in electro-optics, while the Thorn unit expects lucrative work from providing thermal imaging and infra-red systems for the European Fighter Aircraft.

The deal leaves out Thorn's defence electronics activity in three other centres – Crawley, West Sussex, Wells, in Somerset and Rugeley, Staffordshire – where combined sales were about £110m last year.

The Crawley unit provides electronic support systems such as radar and jamming devices for naval ships and submarines. Analysts said the government would be nervous about letting them pass into foreign hands.

While prestigious, the sales prospect for these naval systems look relatively poor, at least until the building of the mooted common generation frigate by Britain, France and Italy.

MoD officials have no objection to foreign interests taking equity stakes and earning dividends from British *defence companies, but units* handling sensitive UK technology must have directors who are British nationals.

Exceptionals behind 56% rise to £22m at Courts

By Peggy Hollinger

Courts, the *home furnishings* retailer, yesterday became the second UK company to pay foreign income dividends, but went one step better than its predecessor, BAT, by offering to absorb the tax cost for investors.

Courts is increasing the final pay-out by 36 per cent to 5p, for a total 27 per cent ahead to 7p. The increase in the final dividend represents a 9 per cent improvement on the previous final, plus an additional 25 per cent rise on the higher pay-out to protect shareholders from a 25 per cent tax burden.

Mr Bruce Cohen, chief executive, said the decision to pay *FIDs would benefit both investors* and the company by helping to eliminate its advance corporation tax surplus. Courts *was likely to continue* paying further FIDs, given its unrelieved ACT burden of some £4.2m, he added.

Mr Cohen was speaking at the announcement of Courts' results, which showed a 56 per cent increase in pre-tax profits to £22.1m for the year to end-March. The outcome included an *exceptional* credit of £9.43m following the flotation of a stake in its Singapore subsidiary and property losses.

The *results* were about £2m below expectations, with analysts expecting profits of £15m before the Singapore credit. Forecasts *for the current year* were pulled back from about £17m to £14m and the shares fell 24p to 779p.

The *disappointment* came from dull trading and adverse currency movements in the Caribbean region. Courts' *other overseas* businesses continued to move ahead, particularly in south-east Asia.

Sales of overseas businesses grew by 26 per cent to £148m, with profits before deferred income and exceptional credits up by 16 per cent to £22.6m.

Transfers to deferred credits rose by 30 per cent to £11.8m. The transfers arise from Courts' hire purchase scheme, which is particularly popular in Asia. Courts finances the lease deals itself, but does not take the income from product sales into profits until payments are made. This is put into a deferred profit reserve which stood at £49.3m at the year-end. This would eventually flow through to profits, Mr Cohen said.

The UK had shown signs of a recovery in the housing market, although it was still "far from buoyant", said Mr Cohen. Nevertheless, Courts was encouraged enough to revive its expansion programme, which had been on hold for some time. Five new superstores were planned for this year, to bring the total to 34.

Earnings rose by 73 per cent to 65.36p. Excluding the exceptional credit, earnings were 21 per cent higher at 31.17p.

Enterprise may start buying Lasmo shares

By Robert Corzine and Peggy Hollinger

Speculation mounted yesterday that Enterprise Oil could next week begin buying shares in Lasmo, its unwilling bid target, as the deadline draws near for acceptance of its £1.7bn bid.

Enterprise, which almost two months ago launched its hostile all-paper bid for Lasmo, is allowed to buy up to 10 per cent in the market. It is believed that Enterprise has set aside £150m for share purchases if it is not confident it can reach 50 per cent through straight acceptances.

Meanwhile, the rival oil explorers yesterday exchanged what are expected to be their final shots in the bid battle before shareholders make up *their minds next week*.

Both companies reiterated their arguments for and against the offer. Mr Rudolph Agnew, chairman of Lasmo, said acceptance of the offer would mean giving away a disproportionate share of assets and future growth for an "inadequate share in an enlarged company".

Enterprise accused Lasmo of repeating "the same tired assertions". It said an enlarged company offered better gearing to the oil price through the warrants being offered to shareholders, and greater financial strength to exploit assets. It is expected to send a detailed document to Lasmo shareholders tomorrow.

The argument will now be carried directly to institutional investors, with both sides spending the last seven days canvassing for support. Mr Graham Hearne, Enterprise's chairman and chief executive, *is currently in the US doing* the rounds of institutions.

Enterprise's shares fell 10p to 413p, while Lasmo shares were steady at 149p.

Windsor back in the black

By Richard Lapper

Windsor, the insurance broker which specialises in sports, leisure and contingency business, is back in the black. The group, which was hard hit by write-downs on a property investment in 1993, reported pre-tax profits of £18,000 for the six months to March 31.

The corresponding loss last year amounted to £1.3m, including £1.7m exceptional items. Earnings per share were 0.01p (loss 5.64p and an adjusted loss of 0.61p).

Windsor said it was in talks to let its troublesome investment property, a 25,000 sq ft office block in Hemel Hempstead, Herts. Some £1.7m in provisions were incurred as a result of writing down the market value of the property last year and Windsor has lost over £2m on the property since it was acquired in 1989.

The group's core insurance business continued to perform well.

ML recovers with £5.23m and restores dividend

By Paul Taylor

ML Holdings, the aerospace, defence and electronics group, yesterday reported a £5.23m pre-tax profit for the year to March 31, compared with an £11.2m loss last time.

The group underscored its return to pre-tax profits – the first since 1991 – by proposing to resume dividend payments.

Earnings per share of 2.9p compared with losses of 18.4p and the board is recommending a 0.85p final dividend. It intends to pay both an interim and final dividend in future. The shares closed 4p higher at 45p.

Mr Howard Grant, chief executive said: "In 1993 we laid down our strategy for recovery. The first stage of the process has been successfully completed. We now intend to build upon this so that recovery leads into a period of growth."

Turnover increased by 18 per cent to £100.3m (£84.9m) with particular strength in overseas markets. Overall sales per employee advanced by 30 per cent.

An operating profit of £6.39m compared with a £7.01m loss previously. The turnround was underpinned by a strong recovery in the aerospace and marine division, which achieved an operating profit of £3.84m (£486,000 loss) on turnover up by 19 per cent to £46.1m.

The aircraft and cargo handling division reported an £334,000 operating profit, compared with a £736,000 loss, on turnover increased 16 per cent to £26.8m.

The electronic component distribution division increased operating profits by 61 per cent to £2.22m (£1.38m) on turnover up 19 per cent to £27.6m.

Net interest costs were reduced to £1.17m (£2.74m), partly reflecting a decline in borrowings which fell to £9.5m (£13.8m), equivalent to gearing of 39 per cent.

Hemingway £30m purchase

Hemingway Properties yesterday announced that it had agreed to buy a portfolio of nine properties for £30.2m cash, writes Vanessa Houlder.

The portfolio comprises a 158,000 sq ft shopping centre on the outskirts of Bristol, a 44,400 sq ft shopping centre in Bingley, West Yorkshire, industrial estates in Salford, Willenhall, West Midlands, and Newton Abbot, Devon, a Peterlee, Durham, factory unit, and office buildings in Sheffield, Luton, and Banbury, Oxfordshire.

After this acquisition and the purchase of the Templars Square shopping centre earlier this month, Hemingway will have a property portfolio of £140m, of which £120m has been bought in the past 12 months.

NEWS DIGEST

Snacks setback at JLI Group

A setback in its snack foods operations was behind a decline at JLI Group in the year ended March 31.

Trading profits at the snacks and ingredients maker showed little change at £5.85m (£5.95m) but after carrying restructuring and reorganisation costs of £1.15m, pre-tax profits were down by the same amount at £4.06m. Turnover of £111.6m (£104.7m) included £3.89m from acquisitions.

On a divisional basis food services reported operating profits of £2.45m (£2.06m) on turnover ahead to £42.1m (£40.7m); food ingredients increased to £2.56m (£1.53m) on sales of £38.5m (£31.2m) but snack foods fell to £1.41m (£2.86m) on turnover of £31m (£32.8m).

Mr Yoav Gottesman, chairman, said *the company had* tackled underperforming areas and addressed changes in its market, and the current year *had begun in line with expectations*. He saw potential for growth "both organically and through strategic acquisitions".

The final dividend is raised to 3.2p, making a total of 4.8p (4.65p) on earnings per share of *7.1p (9.3p)*.

Norbain

In a buoyant market for closed circuit television equipment, Norbain, the USM-traded security products group, more than *doubled pre-tax profits* from £1.01m to £2.32m in the year to April 30.

Turnover was up 77 per cent at £38.5m (£21.8m).

An increased single payment of 2.25p (1.5p) is recommended from earnings per share of 20.85p (12.99p).

The shares added 9p to 412p, a new high for the year.

Albrighton

Acquisitions helped Albrighton, the USM-quoted quarrying concern, report pre-tax profits of £766,000 for the year to March 31, against losses of £358,000.

Turnover improved from £2.45m to £5.11m, including £2.13m from acquisitions, for operating income of £892,000 (£9,000 loss) with £418,000 from acquisitions.

From earnings per share of 1.2p (losses 0.6p) a total dividend of 0.5p (nil) is being paid with a proposed final of 0.4p.

Mr Humphrey Wood, chairman, said that the closing months of the year had yielded a more satisfactory flow of orders with signs of improve*ment in margins* and prices.

Tex

Reduced project volume and further provisions for exceptional costs hit second half trading at Tex, a provider of *consumables to the plastic*, steel and energy industries.

As a result, the company finished the year to March 31 *with a pre-tax profit of* £273,000, against a £94,000 loss, after exceptionals of £204,000 (£46,000).

At the interim stage, Tex had turned round a £146,000 loss into a profit of £486,000, after £104,000 charges last time for factory closure and redundancy costs.

Turnover rose 25 per cent to *£20.8m (£16.7m). Mr Anthony* Burrows, chairman, said the slow recovery from the recession had continued, reflected in higher but erratic levels of demand and pressure on margins.

Mr Burrows explained that although trading was improving, it was not yet sufficient to recommend a dividend – the last payment was in 1990. Earnings per share were 2.4p (1.5p losses).

Vega

Vega, the software and systems engineering group, reported pre-tax profits ahead 45 per cent from £1.48m to £2.15m for the year to April 30. Turnover rose £1.6m to £9.7m.

Last year's figure was after a £227,000 exceptional charge representing flotation costs. Stripping this out the pre-tax advance was 26 per cent.

Earnings per share emerged at 10.01p (6.38p) and an improved final dividend of 2.075p is proposed, making 3.11p (2.73p) *for the year*.

GEI

A recovery in the second six months enabled GEI International, the packaging and processing machinery group, to report pre-tax profits *for the* year to March 31 slightly ahead at £2.13m, against £2.1m.

The company said second *half* profits were double those of the previous year. After passing the interim dividend it is returning to the list with a proposed final of 1.5p. Last year's total was 4.94p.

Turnover was £77m, against £78.8m which included £516,000 from discontinued activities. Earnings per share were 3.56p, against losses of 1.62p. Last *year the tax charge was higher* at £1.2m (£820,000) and there was a ACT write-off of £1.5m.

Optometrics

Improved efficiency within its business and improved margins helped Optometrics, the USM-quoted optical systems group, to raise pre-tax profits by 67 per cent from $103,000 to $172,000(£113,160) in the year to March 31.

This was after a $63,000 charge connected to its investment in Euro Biosystems.

Overall sales came to $3.73m ($3.58m). Gross profit was $1.39m ($1.31m): Earnings per share worked through at 93 cents (70 cents).

United Ceramic

Universal Ceramic Materials is to go ahead with its proposed flotation, raising between £8m and £10m, in spite of delays in other new issues and the recent stock market decline.

Beeson Gregory, the sponsors, *are expected to announce* the issue price today after meetings with Scottish institutions earlier in the week.

Trans World/Emap

The directors of Trans World Communications yesterday said that the offer of 181p per share from Emap – which now speaks for 51.7 per cent of Trans World's equity – did not represent an adequate premium for control of the company.

The board said it was also unable to satisfy itself that Emap's proposals were above legal challenge.

The Guardian Media Group, which owns 20 per cent of Trans World, has signified its *agreement with the Trans* World board's conclusion and is seeking leave to apply for judicial review of the Radio Authority's decision not to object to it.

The Trans world board reiterated its rejection of the offer and advised shareholders to take no action.

Tops Estates

Tops Estates, the shop and office property company, plans to raise about £19.4m net via the placing of a further tranche of loan stock in order to help refinance the recent £61m purchase of the Bond Street centre in Leeds.

Paribas has conditionally placed the tranche of £16m nominal 7.5 per cent convertible unsecured loan stock 2020 (with warrants) at 125p per £1 nominal of stock. But £15.8m of the stock will be made available to holders *of ordinary* shares and convertible unsecured loan stock.

Pearson/BSkyB

Pearson, the publishing and information group which owns the Financial Times, has received £81m cash *following* the successful £500m refinancing of BSkyB.

Pearson has a 17.5 per cent holding in the satellite broadcasting venture.

The refinancing involved a five-year revolving credit facility arranged by Toronto-Dominion Bank and Citibank to enable BSkyB to repay loans from its shareholders.

Applied Distribution

Applied Distribution, the contract distribution group which came to the market in March, has paid £3.3m cash for Bernard Brook Transport (Elland), including about £800,000 borrowings assumed.

Bernard Brook is a family-owned company which turned *in pre-tax profits of £200,000* on turnover of £2.7m in the 53 weeks to January.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Albrighton §	fin	0.4	-	nil	0.5	nil
Caledonia Invs	fin	10.8	Aug 10	10	16.2	15
Clyde Blowers	int	1.5	Aug 3	1.33*	-	4*
Courts	fin	5†★	Oct 14	3.67	7	5.5
GEI Intl	fin	1.5	Aug 8	2.47	1.5	4.94
Hilcare	fin	0.5	Oct 3	0.5	0.5	0.5
JLI	fin	3.2	Sept 9	3.1	4.8	4.65
ML Holdings	fin	0.85	-	nil	0.85	nil
M&G Second Dual	fin	10.75	July 25	10.67	23.97	23.86
Norbain §	fin	2.25	Oct 28	1.5	2.25	1.5
Rothmans Intl	fin	16.5♦	Aug 23	-	16.5	-
ShareLink	fin	6	Oct 3	-	9	-
Sthn Electric	fin	16	Oct 3	14	22.7	19.6
TSB	int	3.544	Oct 3	3.15	-	7.68
Vega	fin	2.075	Sept 6	1.96	3.11	2.73

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Equivalent after allowing for scrip issue. ★ *Paid for first time as foreign income dividend.* ♦Gross single dividend for year, first pay-out since demerger.

Bulk of growth provided by associated companies

Caledonia ahead 26% to £45m

By Simon Davies

Caledonia Investments, the investment vehicle controlled by the Cayzer family, yesterday announced a 22 per cent increase in its net asset value during the 12 months to March 31, from 559p to 681p.

Pre-tax profits increased by 26 per cent, from £36m to £45.2m.

The bulk of the growth came from the associated trading companies, primarily Bristow Helicopters and Exco, which increased their contribution from £12.2m to £23.7m.

The results were in line with analyst's expectations, and the shares were unchanged at 688p.

Bristow was only owned for 9 months of the 1992-93 year, but the company had a strong year in 1993-94, repaying £36.5m of debt to reduce the total to £79m.

Mr Peter Buckley, chairman, said a weaker oil price had led to a tougher North Sea market, and Bristow's earnings were likely to decline in the current year.

Exco, included for seven months in 1992, contributed £41.5m, up 52 per cent, in the year to December 1993 aided by a surge in volumes in the government securities market.

Exco's flotation should be launched next week, but Caledonia has said that it will maintain its 27.3 per cent stake. The flotation will not affect the stake's book value, but it could substantially boost external valuations of Caledonia's worth.

The industrial division, principally 75 per cent-owned Amber Industrial, contributed £5.8m (£3.8m) which included £700,000 from the sale of Causeway Steel Products.

The property and services division suffered a loss of £1.8m due to a £3.7m provision against valuations.

The company has a broad spread of smaller investments. These include a 23 per cent stake in Close Brothers, the merchant banking group, which is now worth about £51m after a profits turnround last year.

Caledonia is proceeding with a 33 per cent stake in Sun International, which recently invested in a $125m (£82.2m) resort development in the Bahamas.

At the year end, Caledonia had cash and short-term deposits of £59.2m.

The recommended final dividend of 10.8p makes a full-year distribution of 16.2p (15p), up 8 per cent.

Loss at Clyde Blowers widens to £0.5m

By James Buxton

Clyde Blowers, the maker of equipment for boiler cleaning and materials handling, incurred a pre-tax loss of £514,813 in its seasonally unfavourable half year to the end of February, compared with a deficit of £17,632 last time.

The result was in line with forecasts made in April. Turnover nearly trebled, from £2.27m to £6.14m.

Clyde has been transformed since Mr James McColl bought a 29.9 per cent stake in 1992 and became executive chairman.

In 1993 the company bought Sturtevant Engineering, a Brighton-based maker of pneumatic conveyancing equipment, and Boiler Products Engineering, a boiler cleaning concern based in Belgium. In April this year it bought Simon-Macawber, a maker of pneumatic pressure and vacuum conveyancing equipment, from Simon Engineering for between £4m and £4.5m, funded by a £5.2m rights issue.

Mr McColl said the loss reflected the continued restructuring of the core company and its acquisitions, and to the fact that the first half is traditionally slow because of weak orders for spare parts in the winter. He expected a profit for the full year; profits for the 12 months to end-August 1993 amounted to £205,000.

"We have now got to the critical size we want to be, with annualised turnover of about £27m, with the Simon-Macawber purchase adding £14m annual sales," said Mr McColl. "We're going to concentrate on organic growth rather than acquisitions for the next year to 18 months."

The company is negotiating to sell part of its site at Clydebank for conversion to a discount food store. The development potential of the rest of the site is being examined and the company may move to a better facility.

Losses per share widened to 9.79p (0.53p) but the interim dividend goes up to 1.5p (1.33p).

Tom Brown's survival days

Tim Burt considers the strategy to turn round United Industries

When Mr Tom Brown took control of United Industries last year he pursued a single strategy: survival.

Burdened with debts of £6.6m, he knew the precision tools and springs manufacturer needed major surgery if it was to make it through the recession.

Three months after his arrival he unveiled the first part of his "pain first, relief later" strategy by announcing losses of £3.63m, including £3.27m of exceptional costs, and warning of choppy conditions ahead.

Having abandoned the helm at Fenner, the engineering group which he likened to steering an oil tanker, Mr Brown soon realised he was on board a much smaller vessel.

"The company was being run to keep the banks from the door. The debt repayment programme was stripping all our funds and my job was simply to keep it afloat."

A year later, United Industries has undergone a refit which saw it double in size and emerge with a new management crew.

Although Mr Brown has been widely credited with the relaunch, he claims the initiative was born not in the company's Leicester headquarters but in the City offices of Smith New Court.

Concerned at the group's lack of working capital, he asked the financial advisers to consider a £2m rights issue to raise fresh cash and reduce debt.

Smith New Court was unimpressed.

"They told us we were just fiddling with deck chairs and to go for something bolder." recalls Mr Brown.

Encouraged to think big, United began casting around for acquisitions which would return it to profitability after three years of losses.

Tom Brown: intends to concentrate on developing acquisitions

The search ended with a familiar partner – BBA Group. The engineering company, which effectively gave birth to United in 1988 by selling it stakes in United Spring & Steel Group and Ratcliffe Industries, attracted Mr Brown's attention last August when it unveiled plans to sell up to 12 subsidiaries with a combined turnover of £200m.

Following lengthy negotiations, United last month announced the £25m acquisition of three BBA businesses, Holden Hydroman, Perplas and Railko, funded with a £26m placing and open offer.

Ironically, the deal, which doubled the group into a business with turnover of £60m a year, probably would not have taken place had it not been for the steady fall in United's share price following the October 1987 crash.

BBA, which received a 21.23 per cent stake in United for Ratcliffe and United Springs, could not afford to sell after the shares tumbled from more than 140p to about 14p.

"Had it not been for the recession and collapse in the share price, BBA would have got out and we might not have survived," admits Mr Brown.

Having resuscitated the group, Mr Brown has begun focusing on expansion and strengthening its three pre-acquisition divisions – materials handling, springs and precision machinery.

He discounts a fire sale but admits that doubts remain on the long-term future of subsidiaries which continue to suffer in worsening markets.

In the bleakest scenario, United would no longer be able to sustain its existing businesses and become dependent on the plastics and seals activities of the acquisitions.

While declining to predict the future shape of the group, Mr Brown has indicated his determination to concentrate on the purchases.

"At BBA these businesses had a Cinderella complex because they were always on the periphery. We've brought them centre stage and we're offering them new challenges and access to international markets."

There is also a growing awareness that some United products might sit more comfortably within other groups, but wary of demotivating its workforce, the board declines to specify its main areas of concern.

Nevertheless, some industry analysts believe the materials handling business, which makes automated storage systems, may be sold. They point to United's recent nine month results, showing losses of £1.5m, in which it highlighted very difficult conditions in the division.

Cautious by nature, Mr Brown says only: "We cannot have any weak positions. Something which isn't strong, I'd like to see in other hands."

He is, meanwhile, pressing ahead with a reappraisal of group strategy and instilling his expansive vision of a business which can no longer rely on sales in Britain and Europe alone. If his gamble pays off, the latest acquisitions will provide the springboard to new markets and product areas.

Predicting a return to profitability this year, he says: "We have to grow and put more emphasis on marketing, then volumes will come up. That is the key to our survival."

Hilclare broadens security interests

By Gary Evans

Hilclare, the USM-traded maker of lighting and security products, yesterday announced that it was paying up to £9m for First Security (Guards) and was making a placing and open offer to fund the £4.95m cash element of the price.

Hilclare's shares were suspended at 43p yesterday at the company's request, and will remain suspended until July 19 following an annual meeting on the preceding day to approve the deal.

Mr Ian Quinlan, chairman, said that Hilclare aimed to concentrate future operations in sectors of the security industry which would be selected for their potential to generate significant profit growth and cash flow.

FSG, which provides security guarding services almost exclusively within the area bounded by the M25, was "the first stage of this strategy".

Of the initial £8m consideration, £4.95m is payable in cash, £2.35m in new ordinary shares and £700,000 in secured convertible loan stock. A further £1m is due if FSG achieves specified profit targets.

Samuel Montagu has conditionally underwritten a placing of 21.52m ordinary shares at 23p, giving Hilclare a market value of £8.4m – 4.8m of the shares were subject to an open offer to qualifying shareholders, also at 23p.

Hilclare also yesterday announced a pre-tax loss of £482,000 (£54,000) for the year ended March 31, after making a £396,000 exceptional charge this time for its withdrawal from the production of control panels for security systems.

Turnover fell to £2.64m (£2.9m) and operating profits on continuing operations slipped from £100,000 to £43,000. The recommended single final dividend is an unchanged 0.5p.

Mr Quinlan said trading in the current year had started well for the enlarged group.

The chairman said Hilclare intended to change its name to Orbis and was planning a move to the main market.

Prudential buys Wimpey share of Little Britain

By Vanessa Houlder, Property Correspondent

George Wimpey yesterday announced that it had exchanged contracts to sell its 50 per cent share of the Little Britain property scheme in the City of London to the Prudential, the life assurance company, for £95m.

The 473,000 sq ft office building, which was completed in 1991, is at the end of London Wall and is occupied by Clifford Chance, a firm of lawyers.

Nippon Life owns the other 50 per cent of the property, which it bought for £110m in August 1991. The freeholders are the Corporation of London. The deal is expected to be completed next week. It has an initial yield of 7.5 per cent.

Mr Joe Dwyer, Wimpey chief executive, described the sale, which equates to its book values, as satisfactory. "Consistent with our strategy, it is a further significant step in realising our portfolio assets for investment in our core activities," he said.

The sale is in line with Wimpey's strategy, announced three years ago, of disposing of long term property investments. The company now has just £60m of investment property to dispose of, most notably its Vantage West project in west London, which will be sold once it has found a tenant.

Prudential said it was interested in making further property acquisitions. "Notwithstanding the size of this purchase, Prudential are still in the market for further City investments where the long term returns are attractive," said Mr Howard Dawson, Prudential's associate director.

High stock market activity helps ShareLink to £6.19m

By Paul Cheeseright, Midlands Correspondent

ShareLink Investment Services, the share dealing company which floated last July, almost doubled annual profits after a year of unusually high stock market activity. Immediate prospects, however, are more subdued.

Pre-tax profits were £6.19m in the year to March 31, against £3.12m. The comparative figures have been prepared as if the group then existed in its present form.

Turnover rose to £23.3m (£14.3m). It was bolstered by the third British Telecommunications privatisation issue, a more than doubling in the amount of personal equity plan funds under administration and rising subscriptions to information services.

However, the company warned that trading volumes on the UK equity market had declined since February and that "if these conditions were to persist throughout the current year, ShareLink's earnings would suffer".

Mr David Jones, the chief executive and biggest single shareholder, said, however: "I don't think we'll see volumes go down. The only debate in ShareLink is when the upturn will take place."

The group announced that it was preparing moves into Europe and North America. Mr Jones talked of "advance negotiations" but said there would be no immediate moves. He added that ShareLink was planning to enter mortgage broking and selling, although not with its own capital.

ShareLink's immediate aim is the expansion of its services outside simple share transactions so that it reduces dependence on what can be a volatile stream of income. "If we convert 20 per cent of gross turnover into fixed earnings, then we'd have 200,000 account holders and £1bn under administration," Mr Jones said.

Earnings per share rose to 26.11p (12.65p). A proposed final dividend of 6p brings the total for the year to 9p.

Glaxo signs migraine deal

By Daniel Green

Glaxo, Europe's biggest drug company, has signed another deal in a string of collaborations with biotechnology companies.

The company has bought most of the worldwide marketing rights to migraine treatments developed by Spectra Biomedical, a California group.

The terms of the deal were not revealed beyond a three year agreement for research payments and that Glaxo would pay royalties to Spectra on product sales.

Glaxo is seeking to develop a successor to its current migraine treatment, Imigran, which is one of the its fastest growing products.

The tie-up with Spectra takes to 12 the number of biotechnology collaborations established by Glaxo. It is the first in migraine.

Spectra's approach is to try to determine the genetic basis for migraine.

This is the first collaboration for Spectra, an unquoted company started a year ago by Mr Stephen Peroutka, formerly head of neuroscience at Genentech, the Californian biotechnology company which is 60 per cent-owned by Roche, the Swiss drug company

Mr Peroutka said the number of staff was likely to double to 20 over the next 12 months.

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Jobs: Frustrated commuters agonising about rail transport disruptions should consider working from home

Time to let the train take the strain

The disruption to Britain's railways by striking signalling staff seems as good an excuse as any to take a fresh look at the merits of teleworking.

It may be that this form of employment comprises part of your working week already. A Department of Employment study in February found that one in 10 employers had at least one home-based worker and BT has estimated that by 1995 2.25m people will be working from home three days or more a week in the UK.

For the rest of us, it is perhaps one of those employment ideas that has been shelved in the rainy day file to be pulled out, dusted down and re-examined with the toast and marmalade as we face the prospect of lengthy traffic queues on the way to work.

The idea of teleworking is nothing new. The advent of the personal computer, modem and the Fax machine make working from home, in theory, a far more feasible proposition.

Information technology developments accompanied by greater availability, quality, reliability and cheaper prices have led to increasing numbers of employees often deciding that there are different ways to organise their workloads.

Noel Hodson, director of Strategic Workstyles 2000, an Oxford-based teleworking consultancy, has studied the prevalence of what he terms "tacit teleworking", where it has been adopted almost unconsciously by employees outside the policies of their employers.

When he investigated teleworking at the World Bank headquarters in Washington he was informed by its personnel department that it did not exist there. An inquiry among information technology specialists however, revealed they had established communications links for 1,000 teleworkers a day.

"This meant that the equivalent of 240,000 man-days a year were being worked outside formal systems. The personnel people were rather cross when they found out," says Hodson.

The spread of tacit teleworking is such that some organisations are unclear how many of their employees are what might be termed "in station" at any one time. Dr Frank Becker at Cornell University carried out a survey of empty desks in a number of companies and found 70 per cent unstaffed in some offices.

Teleworking often evolves naturally but it is sometimes triggered by an outside event. Within hours of the Los Angeles earthquake last year, thousands of telephone lines were being installed in peripheral offices allowing people to work outside the city. In the UK, the immediate stimulus may be transport problems caused by industrial action but high office rents have also driven the trend.

Digital, the US-based computer company, began introducing teleworking among its employees six years ago: now 40 per cent of its 4,000 UK workforce have modems or similar links for using personal computers and other communications equipment from home.

The latest stage in developing the concept involved closing down Digital's Newmarket office in April. The office, which used to accommodate 100 people, was replaced with a small tele-centre manned by nine staff and supporting 80 people working around it.

In-coming telephone calls are taken by the Newmarket or Welling offices and re-routed to people's homes without the caller knowing that they are speaking to anyone outside an ordinary office.

Ian Christie, Digital's marketing manager for flexible work services, said the reorganisation was saving the company about a third of a million pounds a year on direct property costs and running costs.

"Generally speaking the response has been very positive but it must be said that we have very few people who work five days a week from home. It is part of managers' responsibilities to have regular team meetings for which a three-line whip is essential," he says.

Teleworking has been criticised for divorcing employees from their normal social contact in the office but Christie argues that it can create greater contact if people ensure that they do not isolate themselves. "Instead of meeting the same faces around the coffee machine you make a much broader social circle."

Christie says he often choses to work at Digital's head office in Reading deliberately to pick up those unexpected contacts or jobs that tend to materialise in the conventional office.

Noel Hodson believes there is a powerful economic argument for teleworking. He says that 18 per cent of all office time, the equivalent of almost a full working day, is taken up with office politics. Moreover, the time saved that would be normally spent commuting can be utilised for work.

He says: "I used to spend four hours a day commuting from my home in Oxford to north London. That was the equivalent to half a working year."

Hodson adds that the momentum for teleworking has grown markedly in the past year. He has just completed some research which concludes that teleworking is going to increase the number of jobs by promoting what he calls the "24-hour society", already happening among some telephone sales organisations unrestricted by normal office hours. He estimates that equipping Europe with an "information super highway" adopting Integrated Services Digital Network lines – high quality computer links – and optic fibres allowing speedy computer communications will create 3m jobs, although many of these may be outside Europe itself.

A Henley Centre for Forecasting study suggested that 50 per cent of UK jobs overall could be teleworked and predicted that 15 per cent of all work could be sourced from home by the end of the century, equivalent to 3.3m jobs.

These predictions may turn out to be over-enthusiastic because of the inherent resistance to working from home among many people and indeed some companies.

These seem manifest in a number of anxieties. There is an innate desire to be seen to be there and doing something. We dare not be away. It may not be an idle fear. Reading the other day about purges instigated by Mao Zedong during the Cultural Revolution it was noticeable how many party officials were denounced simply because they were absent at the time of meetings to discuss potential recalcitrants. Corporate Britain may feel far removed from this but office plotting is not unknown.

So teleworking takes a certain hardiness and confidence. Why not try it? If you're stuck at home, strike-bound and haven't planned your day beforehand, it is probably already too late to maximise your time outside work. Hodson suggests an action plan for setting up a teleworking day:

- Prepare two days work with all the files and stationary you need.
- Organise a work area and make it clear to your family that this isn't a day off.
- Circulate telephone and Fax numbers and agree how often you need to stay in touch.

Managers, he says, should ensure that not everyone is outside the office and should afterwards review the benefits of part-time teleworking for the company.

There is a downside to teleworking among people who find it difficult to draw the line between work and home life. Parents find it hard to explain that they are not always available to their children.

Often there is also a tendency for people who cannot let go of their work to do too much. If you don't fit that description you might take another tip: turn the sound down on the TV when when you answer the telephone. The echo of tennis balls has a distinctive resonance.

For more information: Teleworking Explained by Noel Hodson, published by Wiley and Sons, price £25.

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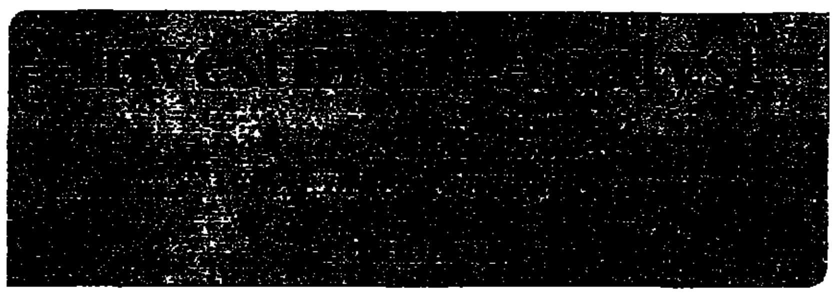

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ACCOUNTANCY COLUMN

Independence not a suitable case for treatment

Walter Schuetze *discusses the tensions he sees between companies and their auditors on this issue*

As chief accountant of the US Securities and Exchange Commission, I want to raise a matter that I have found personally very troubling: the issue of auditor independence.

The commission has stated repeatedly that the independence of auditors, both in appearance and in fact, is crucial to the credibility of financial reporting and to the capital formation process.

Independence is an abstract concept, and it is difficult to define either generally or in its peculiar application to the certified public accountant. Essentially it is a state of mind. It is partly synonymous with honesty, integrity, courage and character.

Objective standards of independence have been introduced into the accountancy profession's ethical codes. It is not enough for members to do what they think is right. They must also avoid behaviour which could lead to an inference that they might be subject to improper influences. The profession must be like Caesar's wife. To be suspected is almost as bad as to be convicted.

One issue that has vexed and bewildered me since I came to the commission two years ago is that of auditors not standing up to their clients on financial accounting and reporting issues when their clients take a position that is, at best, not supported in the accounting literature or, at worst, directly contrary to existing accounting pronouncements.

To me, auditors giving way to their clients or subordinating their views to *their clients', raises a nasty issue* about independence, both in appearance and in fact. In my opinion, an auditor's independence is jeopardised as much by his or her subordinating judgment about a financial accounting and reporting issue as it is by investing in securities issued by a client, loaning money to a client, or borrowing money from a client – perhaps even more so.

At least insofar as money matters are concerned, if there were disclosure to the investor about that fact, then the investor would be on notice and could be guided by the facts, although I would definitely not advocate such an approach.

Not so with the subordinated judgment, which is insidious. There is no way to communicate impaired or coloured judgment. No disclosure about it ever *could be complete, or be* trusted. Nor is there any way for an investor to make judgments about the effect of impaired judgment on the part of the auditor.

It is true that many new and complex issues reach my desk because there is an honest difference of opinion based on well-reasoned positions on all sides. In these cases, the staff works with the registrants and their auditors to resolve those issues through discussion, analysis of analogous literature, and compromise in many cases. Addressing those kinds of issues is a challenging and interesting part of my job, and I encourage registrants and their auditors to continue to bring these issues to the staff.

I also am aware (because I worked in public practice for many years) of the thousands of adjustments that are made by auditors in their work where they insist on adjustments to financial statements that reduce net assets and income, or otherwise insist on financial statement reporting and disclosures that managements of their clients would rather not make – none of which is ever publicised.

However, there have been too many times when accounting arguments made by registrants lack any reasonable foundation and, without being able to cite any authoritative support for the registrant's position, the auditor has acquiesced.

In the last two years, many such proposals have reached us from registrants and their auditors. And they are not supported by just an engagement partner in a firm without consultation within the firm, but by partners from the national offices of the *firms as well.*

Take the airline company which, with the support of its current and replacement auditors, proposed to classify as a current asset at the most recent balance sheet date the portion of the deferred costs on aircraft overhaul that were to be amortised to expense in the next year. Or the company that proposed to report an adjustment to tax liabilities that it discovered had been understated in a business it bought; not in its income statement in periods prior to the business combination, but in the adjustments arising in purchase accounting.

It also appears to me that accountants may have become cheerleaders for their clients on the issue of accounting for stock options issued to employees. In 1978, six of the then Big Eight accounting firms wrote to the Financial Accounting Standards Board suggesting that it should reconsider the accounting rules for stock options granted to employees.

In 1984 and 1985, when the FASB began reconsidering the issue, all but one of the Big Eight wrote supporting both a reconsideration of the accounting rules and a charge to compensation cost/expense for all options granted to employees.

But, in February 1993, even before the FASB issued its exposure draft on the subject on June 30 1993, all of the Big Six accounting firms joined forces with certain members of industry and a group of users to recommend to the FASB that there be no formal recognition for the cost of stock options.

The firms did not offer an explanation for their change of mind. Anyone could change their mind; I have done so on several accounting issues over the years. But I think the public deserves an acknowledgement by the firms and the reason why.

Such a change in position, without a corresponding change in the underlying concepts and issues that led the firms and the American Institute of Certified Public Accountants initially to support the board's project, has left some members of the public with the impression that the switch was in response to the fear of losing clients or other forms of retaliation.

Could continuation of these trends be anything other than an invitation to Congress, the SEC and other regulators to regulate more heavily, and directly, the auditing profession in particular and financial accounting and reporting in general? Could it lead investors, particularly institutional investors, to find alternative ways to corroborate issuers' representations in their financial statements?

The examples cited represent a small – some might even argue insignificant – number of exceptions to the generally outstanding manner in which the profession carries out its duties as public watchdog. But individual practitioners and firms need to be mindful that the number of such instances that may poison the well with regulators, legislators, investors, and the public is small indeed.

These comments do not come from an ivory tower. I have lived and worked in the accounting profession for more than 30 years. I know the realities of saying "no" to a client. I know the disappointment some clients express when the auditor makes a decision to support an accounting proposal that may reduce those clients' reported earnings. I know the long and often heated phone calls and client visits, the strain, and the financial cost that follow such decisions.

But I also know the rewards: a clean conscience and not having to worry about losing law suits based on the merits, and pride in the profession and the credibility of financial accounting and reporting.

I hope that the profession and registrants will, through self-restraint, take a fresh look at these independence issues and let nothing stand in the auditor's way of telling the truth as he or she sees it.

The views expressed by Mr Schuetze are a condensation of a speech given by him in January in his personal capacity and are not necessarily those of the SEC.

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THE ROLE

- Reporting to the Director of Finance and IT, responsible for developing and introducing a methodology for benchmarking and thereafter reviewing financial performance to deliver further efficiency gains.
- Underpinning tight financial control and improving planning by critiquing budget proposals, supported by talented, young team. Working closely with Director General's office and Directorate Financial Controllers.
- Developing a capital expenditure evaluation process to assist in cost effective corporate development and supporting the Board on a range of ad hoc projects.

THE QUALIFICATIONS

- Inquisitive and highly able graduate MBA/ACA, with outstanding financial modelling, planning and analysis skills gained from a major strategic consulting firm or financial services.
- Gifted communicator, leader and manager with detailed business appraisal and project evaluation skills gained in a large, ideally international, corporate.
- Innovative and tenacious analyst with eye for detail and the diplomacy, poise and gravitas to influence decision makers across the Corporation.

Leeds 0532 307774
London 071 493 1238
Manchester 061 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F61420641, 16 Connaught Place, London W2 2ED

Finance Director

Lancs. Package c£40,000 + outstanding investment opportunity

Our client, a well established Group of lingerie manufacturers, will soon complete a management buy out. It currently has an opening for a Finance Director who will prepare the Group for a flotation within the next five years.

The Group comprises three companies located in the UK, Eire and Portugal. To assist these companies in their already advanced plans, a Finance Director with a rare blend of skills and experience is required.

You will need the experience, polish and skill to liaise effectively with banks and city institutions, whilst being willing to work "hands-on" in carrying out a range of financial management roles including Group consolidation and new systems selection and implementation.

It is essential that candidates can demonstrate a proven track-record in detailed financial management, gained within the manufacturing sector. Experience of a textiles-related business would be highly advantageous, and experience of foreign exchange management is essential.

This is an outstanding opportunity to invest in the Group as it continues with its exciting plans, and should be regarded as a long-term career move.

Only candidates living in the North West should apply.

Please send a detailed CV to Steven French, quoting reference M/483/94.

Closing date for receipt of applications is Friday 1st July, 1994.

KPMG Selection & Search

St. James' Square, Manchester M2 6DS.

London **£ excellent plus benefits**

Touche Ross Reorganisation Services Group (RSG) works with viable businesses experiencing debt, cashflow or structuring problems. Our positive approach and extensive experience in this field have helped numerous businesses develop and implement initiatives beneficial to both lenders and stakeholders.

We need to recruit another experienced Manager for this rapidly developing multi-disciplinary group. The role will involve acting as Senior Manager on RSG assignments, participating in marketing initiatives and working closely with other members of the team who are drawn from a variety of backgrounds.

For this excellent career opportunity you will ideally be a Chartered Accountant, trained with a large firm, with proven experience in applying Corporate Finance/consultancy expertise to the needs of underperforming businesses. You will be ambitious, highly motivated with strong analytical and interpersonal skills and an advanced level of commercial awareness.

Please write to Bernadette Breen, Personnel Manager, Touche Ross, Friary Court, 65 Crutched Friars, London EC3N 2NP, providing details on how you match the above requirements.

Touche Ross

Deloitte Touche Tohmatsu International

CHARTERED ACCOUNTANTS

GROUP ACCOUNTING MANAGER

Bourne End, Bucks **c£35,000+F/X Car+Benefits**

Lex Retail Group, a subsidiary of Lex Service Plc, is the UK's largest automotive retailer with a turnover in excess of £1billion. The Company operates 104 car dealerships nationwide covering a broad range of 25 different franchises. The Group's continued success is attributed to a combination of ongoing acquisitions and an unwavering commitment to delivering an outstanding quality of service to its customers.

Substantial growth in the business has necessitated a re-organisation of the Group Accounting activities which are being centralised at the Group's head office. As a result an exceptional financial professional is required to lead and motivate a department of 10 staff.

As a member of the senior finance team, responsibilities will include all financial/management reporting and analysis, acquisition/divestment accounting, statutory reporting and centralised payroll. Additional responsibilities will include on-going maintenance, development and support of the Group financial reporting and consolidation systems and a diverse range of ad hoc activities.

To qualify for consideration you should be an ambitious ACA aged in your early 30's with a strong track record of personal and professional achievement in your career to date. As a natural leader, you will possess the energy, vision and management skills to develop a team committed to enhancing business performance. Your strong technical and systems skills will enable you to make a significant contribution in a highly complex and acquisitive organisation and thereby benefit from the excellent career prospects available within the group.

To further your interest in this exceptional opportunity, please send your CV or telephone our retained consultant Ian Coyle at Executive Connections Ltd, 43 Eagle Street, London WC1R 4AP. Tel: 071 242 8103. Fax 071 831 4571.

Lex Retail Group

LEX SERVICE

Management Accountant

International Corporate Accounting

£Attractive **Wembley Park**

McDermott International is one of the world's leading energy services companies, employing over 28,000 professionals worldwide. Through our various engineering operating divisions in the UK and overseas, we provide design, project management, fabrication and installation services to the oil and gas industry.

Reporting at Group Management level, we have an exciting opportunity for an experienced Management Accountant to gain entrance into international corporate accounting. The position will involve consolidation of divisional results, preparation of financial plans and budgets, monitoring and analysis of projections and reports for management. Some financial reporting will provide the opportunity for foreign travel and there may be the opportunity for an overseas posting as part of career development.

You should be a qualified accountant of graduate calibre ideally trained with a 'Big 6' firm and should be a self starter. PC and Financial modelling skills together with excellent written and oral communication skills are essential. The salary and benefits package will be all you would expect from a large international company.

If you are interested, please send an up-to-date career resume quoting current salary to: Mr Paul Piper, Senior Personnel Officer, McDermott Engineering (Europe) Limited, McDermott House, Empire Way, Wembley, Middlesex HA9 0NN.

McDermott International

CHIEF ACCOUNTANT

£29K – £35K **Winchester**

The Independent Television Commission, which is the statutory body responsible for the licensing and regulation of independent television, is seeking a Chief Accountant who will be responsible for its internal financial functions. The ITC's turnover is £17m a year.

With the support of a small group of staff, the Chief Accountant's role will involve financial management and control, the timely production of financial management information, annual budgets and statutory accounts. The department is also responsible for the payroll, Tax and VAT.

Candidates must hold an appropriate professional accountancy qualification, preferably ACA or ACCA.

Considerable experience at management level in a commercial environment or the public sector is required. Candidates must have a highly professional approach, strong staff management and communication skills and the ability to organise and control work flows in an efficient, effective manner.

A competitive salary, depending upon experience, is offered together with a range of benefits which includes private health insurance.

Please send a full CV to Christine Chalk, ITC, Kings Worthy Court, Kings Worthy, Winchester, Hants SO23 7QA by July 4 1994.

WE ARE AN EQUAL OPPORTUNITIES EMPLOYER.

ITC
Independent Television Commission

Global Investment Bank — *c£50,000 + Banking Benefits*

As a fully integrated international investment bank and securities house, our client has developed an outstanding reputation across all major markets. In particular, this includes a substantial presence in the issuance of securities, structured products and significant trading in global derivatives.

The mandate for the audit function is defined by the most senior management in conjunction with the audit committee, giving it a uniquely high profile, genuine independence and a particularly proactive brief.

Reporting to the Audit Director, you will be responsible for developing audit plans for substantial parts of the business and ensuring their execution through coordinating the activities of a qualified team. This is not a policing role and, as such, you will work closely with line management to improve areas of operational and control weakness with the emphasis on risk management. This is a period of considerable growth and development into complex new product areas and the audit team is expected to play a positive role in this process.

Aged in your late 20's to early 30's, you will have an excellent numerate academic background and at least 4 years' post qualified experience concentrated within the banking sector. This experience may have been developed within another major bank or the profession. In addition to strong intellectual and technical skills you will possess the management ability and personal presence to further enhance the credibility of the function.

This opportunity should be seen in the context of a constructive career move offering a breadth of commercial experience and high profile exposure not available within more narrowly defined financial or product control roles. Longer term prospects therefore exist in a variety of areas including risk management, financial control or credit.

Interested applicants please call Neil Taylor or Tim Musgrave on 071 240 1040, or alternatively send a full resumé quoting ref 22/1745 to Morgan & Banks Plc, Brettenham House, Lancaster Place, London WC2E 7EN. Fax number 071 240 1052.

Morgan & Banks
INTERNATIONAL

BBC TELEVISION

Senior Production Internal Auditor

BBC Drama Group

BBC Drama is a major source of drama output with productions ranging from ***EastEnders*** to ***Screenplay*** and ***Middlemarch*** to ***The Snapper***. Drama accounts for one third of the BBC's network television budget.

Drama Group Audit's responsibility is to provide assurance to senior management on Drama's system of internal control, the integrity of its accounting records and the validity of production financial reports.

We are looking for an individual who has the skills, both technical and interpersonal, to carry out reviews across the whole range of Drama output. The role is a challenging one as it will involve significant liaison with non–financial staff and the employees of Independent TV Production Companies.

The successful candidate for this position will be a qualified accountant with audit experience gained either in industry or public practice. A good knowledge of business procedures and computerised accounting systems is essential, as is the ability to demonstrate initiative and a willingness to assume a high level of responsibility. Experience of television production techniques would be advantageous but not essential.

Salary will be determined by qualifications and experience, the position will be based in West London.

For further information contact our recruitment adviser **Jon Vonk** at **Marks Sattin, Financial Recruitment Consultants, 18 Hanover Street, London W1R 9HG. Telephone 071–408 1312. Fax 071–355 4501.**

THE BBC IS WORKING FOR EQUALITY OF OPPORTUNITY

MARKS • SATTIN
FINANCIAL RECRUITMENT CONSULTANTS

Opportunities in Middle Office Business Control

City **£ Highly Competitive**

Our client is the investment banking subsidiary of a major international bank with global assets of over £160 billion. Active in the world's leading financial centres it enjoys sustained profitability, consistent growth and an enviable reputation for client service and product innovation. Continued expansion of the bank's bond trading activities has resulted in the need to recruit two individuals to support the London senior management team. These are key roles in the middle office function which controls the business from a financial and risk management perspective.

Risk & Finance Manager

A qualified accountant with a mathematical background and strong quantitative skills, you will have gained exposure to product accounting within a financial institution and will now want to assume greater responsibility in a more autonomous role. Managing the bond trading control function you will supervise:

- Daily position pricing and P&L analysis.
- Trade monitoring and P&L prediction.
- FX exposures and capital deployment.
- Daily reporting and monthly management information.
- Financial and Bank of England reporting.
- The development of a small professional team. (Ref: 2974A)

Risk Analyst

A graduate in mathematics or another numerate discipline, you will be a qualified accountant with product understanding and first rate quantitative, analytical and PC skills. Working closely with the bond trading teams you will be responsible for assessing and monitoring market risk. This will include:

- Calculating and analysing the "Greek" sensitivities of a complex, multi-product portfolio.
- Analysing the correlations that exist between those sensitivities.
- Performing statistical analyses of potential profits/loss and identifying how potential losses may be minimised.
- Constructing and analysing portfolio "stress simulations". (Ref: 2975A)

These opportunities combine extensive exposure to trading activity with the challenge of sophisticated business control. Candidates will thrive on early responsibility in a dynamic working environment. In addition to product understanding and strong technical abilities, candidates must demonstrate the credibility and communication skills needed to work with traders and management at the highest levels.

Interested candidates should write to Janet Bullock, quoting the relevant reference number, at BBM Selection, 76 Watling Street, London EC4M 9BJ enclosing a full Curriculum Vitae which should include contact telephone numbers. All applications will be handled in the strictest confidence.

76, Watling Street, London EC4M 9BJ — BBM SELECTION — Tel: 071-248 3653 Fax: 071-248 2814

Financial Controller

SHIPPING
SALARY TO £35K PLUS BENEFITS

Our client is a privately owned international shipping group based in the UK. Due to growth and internal reorganisation, they now require a FINANCIAL CONTROLLER to complement the existing finance team. Initially based in the West End, the company will move to Guildford in 1995.

Reporting directly to the Financial Director, the ideal candidate will be aged early 30s and hold the ACMA qualification. It is essential that the individual has strong commercial experience preferably in shipping. It is also important that the candidate possesses good interpersonal and communication skills, with proven experience of working with and managing a small team.

The position will have prime responsibility for the day to day financial management of the shipowning activities of the group. This will include providing accurate financial and management information and actively participating in the decision making process within the business.

If you believe you have the drive and ambition to work within a dynamic and challenging environment, then please write enclosing full personal and career details to: Suzanne Dobinson, Management Consultancy Division, 186 City Road, London EC1V 2NU.

ROBSON RHODES — Chartered Accountants — RSM International

OUTSTANDING OPPORTUNITY
FINANCE DIRECTOR - HONG KONG

PEEK

ATTRACTIVE EXPAT PACKAGE

Peek plc is a world leading multinational electronics group focusing on traffic and field data systems. Turnover is in excess of £100m, with activities across Europe, North America and Asia.

Peek has its Asia-Pacific arm, Peek Limited, headquartered in Hong Kong with associated companies in China, Singapore and Thailand, and is intending to expand its presence in other Asian countries. As a result of the planned return of the present job holder in early 1995, a vacancy now exists for a Hong Kong based Finance Director.

As Finance Director you will have responsibility for all finance related activities of the Asian companies, in addition to acting as a key member of the local management team. Initially you will spend three months at Peek plc's Corporate office in Abingdon, near Oxford, in order to gain an insight into the Group's activities. You will then relocate to Hong Kong in early 1995 and assume the role of Finance Director for a period of not less than two years.

You will be a technically strong, commercially aware ACA with a good academic record. Financial and operational management experience will have been gained in a dynamic company involved in contract accounting and major contract negotiation.

The ability to mix with colleagues of different cultural backgrounds and technical disciplines is essential, as is a sense of humour. Previous experience of working in Asia would be an advantage, but is not essential.

An attractive package including relocation to Hong Kong, local accommodation and other benefits will be offered to the right candidate.

If you feel you match our requirements please send a detailed CV stating current salary package to Andrea Black at Robert Walters Associates, 42 Thames Street, Windsor, Berkshire, SL4 1PR. Fax 0753 678908, Tel 0753 831515.

ROBERT WALTERS ASSOCIATES

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leading u.s. multinational

london se1

excellent package

french speaker

An opportunity to join the lease finance subsidiary of a profitable, high growth US multinational. This is a key group finance role based in the European headquarters in London.

With established companies in the UK, France and Germany, a new company in Norway and plans for operations in Scandinavia and the rest of Europe, this is an unparalleled chance to contribute to a truly European division at an exciting stage in its development.

The role will involve international travel in the region of 2-3 days every few weeks. There will be frequent contact with European senior management. Working fluency in French is essential and knowledge of any other European languages, particularly German, will be useful.

Reporting to the European Financial Controller, the role encompasses financial management for the whole European operation. Key areas of responsibility will include:

- **Co-ordination and control of operational centres**
- **Financial planning and budgeting**
- **US GAAP, local country reporting and advice to subsidiaries**
- **Review of acquisitions and related due diligence**
- **Project responsibility for integrating the finance function of French operations**

We are looking for an ambitious accountant, one to four years post qualified, with international experience gained within a commercial environment or large public practice. Knowledge of lease accounting is advantageous but secondary to the quality and potential of the candidate.

farn williams — Please telephone or write with CV, quoting ref 0186 to Farn Williams, financial recruiters, 1 Benjamin Street, London EC1M 5QL Telephone 071 608 1133

Parkinson's Disease Society

PARKINSON'S DISEASE SOCIETY OF THE UNITED KINGDOM

FINANCE DIRECTOR
c £35,000 + BENEFITS

Experienced ACA / ACCA / CIMA to start 1 October 1994 or before. This new post, as a key member of the senior management team, will enable the successful candidate to participate fully in the continued development of the Society through the provision of sound financial management and advice.

Responsibilities relate to all aspects of the Society's financial affairs and the development of financial strategy.

A job description is available from Richard Rhodes or Cathy Tucker, Feltons Consulting, 12 Sheet Street, Windsor, SL4 1BG, telephone number 0753 840111. Closing date 8th July 1994.

The Parkinson's Disease Society is striving to be an equal opportunity employer.

"Our mission is the conquest of Parkinson's disease and the alleviation of the suffering and distress it causes, through effective research, education, welfare and communication."

FT/LES ECHOS

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone:

Philip Wrigley on
071 873 3351

FINANCIAL CONTROLLER
COMMERCIAL BANK

A Beirut based commercial bank seeks to recruit a financial controller to support its expansion and growth in Lebanon. The preferred candidate would be an individual relocating to Beirut, with a university degree in accounting and approximately 10 years experience in the same field.

Please send full career and personal details in confidence to Michael Rondhak, Box A3602, Financial Times, One Southwark Bridge, London SE1 9HL.

DIVISIONAL FINANCE DIRECTOR

Major Financial Services plc

Southern Home Counties **c. £75,000 + benefits**

Our client is one of the UK's best known financial services groups, with well over £30bn of funds under management. With a substantial customer base, the company has a reputation for product innovation, financial strength, marketing and its high quality service.

The Divisional Finance role is one of the senior operational finance positions within the Group. It provides financial and resource management direction to the Division which employs circa 1800 people and controls a large self-employed sales force.

- As a member of a seven-strong Board, you will report to the Divisional Managing Director and head up a team of professional managers responsible for 300 staff.
- You will provide a comprehensive financial management service to the Division – as well as being accountable for human resources and legal policy issues within this part of the business.
- A graduate ACA, you will have managed at senior levels within the profession. You will probably be running a substantial line department.
- With a track record of implementing change, exposure to best financial management practice is essential. Personal qualities will include clear leadership skills, rigorous analytical capabilities and sound strategic thinking.

Career prospects are excellent – either in further senior financial roles within the Group – or into general management. It is unlikely individuals earning less than £60,000 will have the appropriate experience.

For a completely confidential conversation call Philip Taptiklis, or write to him enclosing your CV.

Zealand James & Company,
Askett Lane, Askett, Princes Risborough, Bucks HP27 9LT
Telephone: 0844 275800. Fax: 0844 275805

Group Finance Director

International Art Publishing and Distribution Group

£ Negotiable + Car + Excellent Benefits

Our client, an international art publishing and distribution group, is a market leader in its field and is currently undergoing a period of significant growth. A dynamic management team, coupled with innovative marketing and design, and a reputation for excellence, has been effective in producing a number of attractive business opportunities. The result is an environment which is both competitive and highly entreprenurial.

There now exists a requirement to augment the senior management team with the appointment of a Group Finance Director. Reporting to and working closely with the Group Managing Director the appointee will be responsible for all aspects of financial management, including systems development. In addition, the successful candidate's brief will encompass liaison with banks and institutional investors, the development of group financial strategies and the planning and implementation of acquisitions/divestments.

This opportunity will appeal to a commercially orientated accountant (aged 33-40) with an outstanding record of achievement to date. Experience of operating at a senior level within a service company is essential. In addition, the successful candidate is likely to be a highly effective communicator with the experience and ability to manage rapid growth.

The remuneration package will reflect the seniority of the position and will include an attractive basic salary, normal executive benefits and the opportunity for equity participation.

Interested candidates should forward a CV to either Robert Walker or Brian Hamill at our London office, quoting ref: RW1438.

WALKER HAMILL
Executive Selection
29-30 Kingly Street, London W1R 5LB
Tel: 071 287 6285
Fax: 071 287 6270

Thameslink

Chief Accountant

Central London **c £35,000 + Excellent Benefits**

Thameslink is the unique cross-London rail service, linking Bedford, Luton and St Albans with five City stations and on to Gatwick Airport and Brighton, providing both commuter and leisure services for this large population to the North and South of the capital. Thameslink has grown quickly into one of the most popular rail routes in the South East of England. With a current turnover in excess of £70 million and employing 450 staff, the company's success is undoubtedly a result of its customer driven culture.

As a result of reorganisation and a devolution of responsibilities from group head office, the business now wishes to appoint a Chief Accountant as number two in the finance team.

Reporting to the Financial Controller and assisted by 14 staff, responsibilities will include:

- implementation of a stand alone accounting system;
- development of financial accounting and internal control processes;
- monitoring financial performance against budget;
- providing commentaries, analysis, support and advice to senior management;
- various tasks relating to the preparation of incorporation as a separate company within the next twelve months.

Aged in their 30s, prospective candidates will be qualified accountants, will have a successful track-record of developing systems and financial controls within a large company environment. As importantly, individuals must be able to demonstrate strong leadership skills, energy and the ability to operate effectively in a rapidly changing commercial environment. Thameslink is working towards Equal Opportunities status.

In the first instance, interested candidates should send an up-to-date curriculum vitae, quoting reference number 190360, and outlining current salary and a daytime contact number to Peter Gerrard at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

DeLaRue

Group Financial Analyst

Central London **c. £40,000 Package**

De La Rue plc is a major international group with a turnover approaching £600 million. It is the global market leader in banknote and security document printing and a leading supplier of equipment for cash handling and electronic transfer payments. With substantial interests world-wide, and a dynamic management team, the Group has a clear strategy of growing its core businesses, both organically and through acquisition and has recently experienced a sustained period of outstanding growth.

Promotions within the head office finance team have generated the need to appoint a Group Financial Analyst. This is an exceptionally high profile role offering immediate exposure at main board level within a FTSE 100 company.

Responsibilities will include:

- Acting as main link between Central Finance and senior divisional management.
- Reviewing divisional data including trading, capital expenditure, budgets, current year forecasts and organisational issues.
- Review of acquisitions and divestments.
- Preparation of commentaries and analyses on projects of major strategic importance.

Successful applicants should fulfil the following selection criteria:

- Qualified accountant aged 26-32.
- Outstanding and consistent level of high academic achievement.
- Committed, energetic and flexible approach with the ability to liaise with managers at all levels.
- The ability to speak a second European language is desirable though not essential.
- P.C. literate.

The rewards include an attractive remuneration package, together with a fully expensed car and other large company benefits.

For further information in strict confidence, please contact David Craig or Robert Walker on 071-287 6285. Alternatively, forward a brief résumé to our London office at 29-30 Kingly Street, London W1R 5LB, quoting ref: DC1235.

WALKER HAMILL
EXECUTIVE SELECTION

GEEST

Financial Controller

C. Scotland **Package to £40,000 inc Bonus + Car + Bens**

Geest PLC is a fast moving, customer driven business and has a very strong position in the fresh produce and chilled food sectors and a strategy based on innovative new product development. The position is with Caledonian Produce, part of the Prepared Produce Division, which is achieving significant business growth. Caledonian Produce has been the subject of a major capital investment programme and has ambitious plans to develop beyond its present turnover of £17m.

As a key part of the future success of the business, the Financial Controller will be involved in the control and development of operational financial management and work closely with the General Manager on all aspects of business development. Timely reporting and analysis together with development of MIS are fundamental to the role. Further development of the product range and growth of the business will ensure a challenging and rewarding environment.

The position requires a commercial, qualified accountant, with a strong personality and broad operational management experience. You must be able to demonstrate the qualities necessary for future progression within the group: a strong team player with obvious leadership qualities. Experience within an FMCG business would be preferred.

Applicants should forward a CV, including current salary details, to David Bond ACA at Michael Page Finance, 82 Great King Street, Edinburgh EH3 6QU quoting reference 187217.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Treasury Analysis & Support

Leading Banking Group

London

To £35,000 + Bonus + Car + Banking Benefits

Our client, a major banking organisation with an outstanding record of profitable growth, holds a leading position in the world of financial services. Dealing in a comprehensive range of financial products, it has achieved enviable successes through innovation and expertise. In recent years it has established one of the UK's leading bank treasuries and it is within this division that two excellent opportunities have arisen for experienced treasury professionals.

With responsibility for a small team, both roles will require extensive technical knowledge of treasury products, particularly fixed interest instruments. Key responsibilities will include the in-depth analysis of portfolio results and periodic accounting and both will require extensive front office liaison. In addition, the successful individuals will be required to provide innovative solutions to treasury accounting issues as they arise.

Probably aged 27-32, ideal candidates will be qualified accountants, with at least two years post-qualification experience of a banking environment. A significant proportion of this time must have been spent within a product control function. Alternatively, candidates may be working within Public Practice and have extensive exposure to financial markets. Strong interpersonal skills, a high degree of professionalism and the ability to work to tight deadlines will be essential. These high profile roles will also require proven leadership skills and the ambition to succeed in an environment at the leading edge of banking.

Interested applicants should write, in the strictest confidence, to Guy Townsend or Paul Marsden, at the address below, quoting Reference GT 333.

WALKER HAMILL
Executive Selection
29-30 Kingly Street, London W1R 5LB
Tel: 071 287 6285
Fax: 071 287 6270

Schlumberger

Schlumberger employs 48000 people of 90 nationalities in 87 countries within two business sectors : Oilfield Services and Measurement & Systems.

You have three to five years of professional experience with progressively increasing responsibilities in the financial function of a major industrial concern or in a leading accounting firm.

You are willing to travel extensively, knowing that a career with Schlumberger will most likely involve several relocations, including the possibility of overseas assignments.

Professionalism, good communication skills at all management levels, proficiency in at least one foreign language (German, French, etc.), willingness to work within a team and mobility will be the keys to your success in a truly international group.

Initially based in Houston or Paris, you will be performing consulting projects and financial audits.

Knowledge of Schlumberger, enthusiasm and initiative should lead to an operational position in the financial function of our operating units.

Please send your application, with a C.V. and photograph, to Direction du Personnel

SCHLUMBERGER LIMITED
42, rue Saint-Dominique - 75007 Paris - France

AD'COM

APPOINTMENTS WANTED

SOUTH AFRICAN BUSINESSMAN

Planning to relocate to the UK seeks position with UK company wishing to enter or expand South African market. Well connected with trade and industry, wholesale and retail trade. Available for discussions in London from 27 June-12 July 1994. Reply C/O J. Margolis - Telephone: 081 906 8561/081 959 3611 or Fax 081 906 8562

APPOINTMENTS ADVERTISING
appears in the UK edition every Wednesday & Thursday and in the International edition every Friday. For further information please call: Gareth Jones on 071 873 3779 Andrew Skarzynski on 071 873 4054

Oxford University Press
OXFORD

COMMERCIAL DIRECTOR

Publishing **c.£37,000 + car**

Oxford University Press is a major international publishing organization with group sales of £200m per annum and around 2,500 staff.

Our Educational Division, one of the UK's leading publishers of materials for schools and of children's books, is looking for a commercial director to take a leading role in determining divisional commercial policy and monitoring performance. The post will also involve responsibility for liaising with our central IT, Finance, and Distribution departments. This is a divisional board level appointment, reporting to the managing director.

This new post offers a rare opportunity to be involved in the management of a highly successful and growing publishing business. We are looking for a qualified accountant with several years' relevant experience, ideally in the publishing sector. The successful candidate will be likely to have an excellent academic record and first class accounting and communication skills.

Please apply in writing with cv to:

Mr D.C. Moody, Personnel Director,
Oxford University Press, Walton Street,
Oxford OX2 6DP

An equal opportunities employer

Group Finance Director

Construction Group

Essex c.£65K+car and benefits

Our client is a successful and expanding private group of companies, with a turnover in the region of £50 million, involved in a wide range of activities including building construction, development and investment. The Group services clients in both public and private sectors and has gained a reputation for high quality throughout the industrial, commercial, retail and residential markets.

They wish to recruit an ambitious and highly capable Finance Director. Reporting to the Joint Chairmen, the appointee will be responsible for the accounting function and, in particular, for corporate planning, finance and treasury matters.

Candidates should be qualified accountants, ideally aged 40–45 with good post qualification experience to senior management level in the construction industry. It is essential that they have the personality to integrate effectively into the Group and the professionalism, technical skills, and confidence to liaise with external advisers.

This is a critical role within a close-knit and forward looking organisation which offers excellent long term experience and career prospects. It carries an extremely attractive remuneration package including a fully expensed executive car, bonus, pension and private health insurance.

Please write in confidence, enclosing full career and salary details, to Tony Saw quoting reference H1606 at the address below:–

KPMG Selection & Search
1–2 Dorset Rise, Blackfriars, London EC4Y 8AE

Internal Auditor - Europe

International Investment Bank

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Fascinating new opportunity to manage audit function for prestigious international banking group.

THE COMPANY
- Well established conservative international bank with growing European business.
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- Small, full range business encompasses banking, investment management and stockbroking.

THE POSITION
- Develop internal audit function. Work independently of business areas. Build close links with finance/compliance teams.
- Evaluate managerial controls through the bank. Emphasis in operational review and qualitative audits.
- Create new audit procedures and working practices for rapidly changing business. Complement external auditors.

QUALIFICATIONS
- Seasoned auditor, preferably ACA or CPA, with 10-20 years relevant experience in international environment. Some travel necessary.
- Strong technical and communication skills. Highest professional standards. Rigorous, commercial, uncompromising.
- Extensive knowledge of banking, fund management, securities environments and UK reporting requirements.

Please send full cv, stating salary, ref CN2415, to NBS, 54 Jermyn Street, London SW1Y 6LX

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For further information please contact **Jon Vonk** or **Jane Braithwaite** on 071-408 1312. Alternatively submit a full curriculum vitae with daytime contact number to the address below.

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The Top Opportunities Section appears every Wednesday. For advertising information call: **Philip Wrigley** 071 873 3351

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Candidates interested in the positions should write to Jeanette Dunworth, HR Manager, KPMG Peat Marwick, 1–2 Dorset Rise, Blackfriars, London EC4Y 8AE, enclosing full career and salary details.

KPMG Peat Marwick

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Ideally a qualified accountant, you will have at least ten years experience in public or private sector financial management and a sound understanding of public finance and commercial accounts. You will be computer literate and your strengths will include finding practical solutions to problems. You will have excellent "people" skills.

The appointment will be for a period of three to five years. The Coal Authority's Headquarters will be in Nottinghamshire.

Please send your CV by 29th June 1994 to Recruitment & Assessment Services. Alencon Link, Basingstoke, Hampshire RG21 1JB. Fax (0256) 846660/846374. Please quote Ref. B/2194/95.

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David Huckfield, Administration Partner, Baring Venture Partners Limited, 140 Park Lane, London W1Y 3AA.

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This post offers a challenging career opportunity to the individual with the requisite qualities by providing corporate experience at a senior level together with involvement in the commercial aspects of a successful and expanding national motor group.

Applications should be made in writing by 4 July to: Tony Broadfoot, Group Director of Personnel, Appleyard Group PLC, Windsor House, Cornwall Road, Harrogate HG1 2PW.

No agencies please.

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COMMODITIES AND AGRICULTURE

Metals rally but oil and soft commodities retreat

By Our Commodities Staff

Leading contracts at the London Metal Exchange built on Wednesday's rally yesterday with copper touching fresh 21-month highs at one point. But oil prices and soft commodities extended their falls.

Having tested downside support on Wednesday morning the LME copper contract challenged overhead resistance in early trading yesterday, when the three months delivery position peaked at $2,507 a tonne. But profit-taking was attracted at that level and the market quickly shed about $30. Renewed buying took it back to $2,483.50 a tonne at the close, up $32 on the day.

Dealers did not think that the stalling of the rally signalled the end of coppers' bull run, which has seen prices soar from 1994 lows of $1,725. "It looks to have found good support on the dips and should bounce back towards $2,500," one told the Reuter news agency. He added that today's announcement of the level of stocks in LME warehouses "could be the key".

The earlier highs were attributed mainly to robust demand in after hours trading on Wednesday, which sparked covering against short positions, speculative interest and Chinese buying.

Aluminium was also lifted early in the session by reports of Chinese buying and fresh speculative interest. At one stage the three months position hit a fresh three-year high of $1,492 a tonne before easing back in line with copper. It closed at $1,487.50 a tonne, up $16 from Wednesday.

Lead received a boost from commission house buying and European trade interest, which helped to lift three months metal from a late afternoon low of $555.50 a tonne to $560 in after hours trading.

Although oil prices fell yesterday, traders remained optimistic that fundamentals were still positive and that the underlying upward trend was intact. The price of the benchmark Brent Blend for August delivery was $17.10 a barrel in late London trading yesterday, after having closed at $17.48 on Wednesday.

Mr Lindsay Horn, trader at the London office of US investment bank Lehman Brothers, said yesterday's correction was tantamount to the market "stopping to change horses".

He said Brent was holding up well given the fact that most of the upward price pressure had been on West Texas Intermediate because of supply bottlenecks in the US Midwest.

At the London Commodity Exchange meanwhile robusta coffee prices continued their downwards movement after Brazil's announcement on Wednesday that it would sell 300,000 bags to exporters over the next two months. The September futures contract slipped by $39 to $2,240 a tonne, deepening losses made on Wednesday, when the New York market was weak.

In spite of early strength, cocoa prices followed coffee downwards on fairly heavy selling by speculators. The second position futures price in London fell by £25 a tonne to £975 a tonne.

Sugar industries respond to adversity

Canute James reports on efforts to revive flagging productivity in the Caribbean

Sugar producers in the Caribbean Community, whose major market is the European Union, have been having a difficult time, and some have been forced into financial and administrative restructuring to improve efficiency and production.

The problems have raised questions about the ability of some regional producers to meet their quota obligations to the EU and the US.

Regional industries have benefitted from new loans, others from the cancellation of debts, the servicing of which had been a burden on their operations. Elsewhere industries have called on new managements as part of their restructuring.

These smaller producers in the Caribbean, unlike Cuba and the Dominican Republic, have been forced to concentrate on satisfying their lucrative markets in Europe, and some have been driven to import sugar for domestic use.

Combined production in the Commonwealth Caribbean countries fell by 3 per cent to 732,000 tonnes last year, with St Kitts-Nevis, the smallest producer, the only one to record an increase. The problems facing the region's industry are illustrated by the state of the sector in Barbados,

German sugar statistics agency F.O. Licht has cut its estimate of 1993-94 world consumption to 113m tonnes from 114.7m. The output estimate is revised down to 109.6m tonnes from 111.3m.

which is undergoing a US$30m rehabilitation programme. The aim is to improve the industry's efficiency, increase the level of mechanisation and re-equip mills, to enable higher production.

The island will have to import sugar this year to meet domestic demand because all output from the current harvest is being shipped to Europe to fulfil the quota to the EU. The industry will achieve its production target of 50,000 tonnes, but this is 4,000 tonnes less than the country's EU quota. The additional sugar for Europe will come "drawing down on carry-over stock from last year," industry officials say. They deny that sugar will be imported for transhipment to Europe as "it would be in contravention of our legal agreement with the EU for supplying sugar".

The prospects for an improvement rest on the planned restructuring of the industry and the administrative skills of Booker Tate of the UK, which has been contracted to manage the industry. The Barbadians are clearly hoping that Booker Tate can emulate the success it has had in Guyana where production last year was slightly below that of 1992 but 50 per cent more than 1991.

The importation of management skills four years ago was followed by a World Bank loan of US$15m to the Guyanese industry for the rehabilitation of aspects of the industry, and to improve productivity. There has also been improvement of irrigation and drainage systems in the industry.

The growth in production, which was dramatically evident in 1992, is continuing. Good weather and higher productivity lifted the country's sugar production from the first of the industry's two harvests to 109,000 tonnes, 14,000 tonnes more than the first harvest of last year. The industry is anticipating combined production from both harvests this year at 250,000 tonnes, and if this is achieved it will be the highest annual output in the past nine years, officials say.

Guyana will be able to meet its export commitments this year to the EU and the US, as well as satisfying domestic demand.

The financial restructuring of the industry in Trinidad and Tobago has also contributed to improved production. The government recently assumed debts of about US$530m owed by the state-owned Caroni, the country's sole producer. The company also recently received new funds of $21m for financing pre-harvest operations.

This relief, and an improvement in the quality of canes and reduced labour unrest, helped to lift the country's sugar production from the 1994 harvest to 127,612 tonnes, 17,000 tonnes more than last year, and the highest in 20 years, according to industry spokesmen. This will allow the industry easily to meet its export quotas to the EU and the US, and a further rise in production is forecast for next year.

Jamaica's hopes for significantly higher output than last year's 224,000 tonnes have been set back by prolonged labour unrest and bad weather. A strike by the industry's field and mill workers earlier this year to protest at the slow pace of negotiations between their unions and mill owners, and unseasonably heavy rains, have cut production by about 25,000 tonnes. The industry had been forecasting output of 245,000 tonnes this year.

The expected improvement was based on improved efficiency in the industry following the sale in January of four of five state-owned mills to local and foreign investors. Planned retooling of the mills and improvements to another four, which have always been in private hands, has led the industry to forecast national output in the next two years at about 350,000 tonnes a year.

'Chinese traders detained over LME losses'

Three traders in Shanghai have been detained by the Chinese government in connection with their alleged role in operations that led to losses last year on the London Metal Exchange copper contract, according to Metal Bulletin Fast Track, reports Reuter.

Two of the traders worked for the metal trading department at the state-owned China International Trust and Investment Corporation and one was an employee of the Shanghai Machinery and Electrical Bureau.

The traders are alleged to be responsible for large losses when the Chinese were unable to meet margin payments as copper prices rose.

New Zealand hopes distribution deals will boost kiwifruit sales

Terry Hall explains the reasons behind a significant change in arrangements for handling exports to Britain and Japan

New arrangements with major fruit distributors in Britain and Japan mark a significant change for the New Zealand kiwifruit industry, which in the past adopted a largely "do it yourself" policy in these countries.

The Kiwifruit Marketing Board, the co-operative body that controls all exports of the fruit, last month tied up distribution agreements with Geest in the UK and US group Dole in Japan to handle its fruit sales for the new season.

Mr Eric Henry, the chief executive says the development follows last year's restructuring of the board when, under pressure from bankers, the emphasis was on cutting costs and the size of the crop to manageable levels and reducing debts. This followed the devastating NZ$90m loss suffered in the 1992-93 season.

Pessimists were predicting the demise of the New Zealand kiwifruit industry at the start of last season, arguing that it was internationally uncompetitive. However despite another difficult year in Europe and Japan, Mr Henry says the industry has outperformed its New Zealand fresh fruit rivals "in terms of price, volume and grower returns".

Total grower returns rose by NZ$108.3m to NZ$292.5m (£113m) in the year to December 31. Sales were up sharply, with the board selling 49.2m trays, or 89 per cent of the crop. It would have sold more had climatic conditions been better. For an unknown biological reason New Zealand grown kiwifruit did not keep as well as usual last season forcing the dumping of a substantial quantity in the closing stages of the season.

Mr Henry says that this condition could occur again this year, which is why the board is trying to sell as much fruit as possible in the opening months of the season.

"This makes sense," he explains. "You get the highest returns then. After that costs start to climb for fruit in storage, competition increases and condition can deteriorate."

The appointment of Geest as the board's exclusive UK agent is an effort to boost sales there sharply.

Mr Henry, who is just back from Europe, says UK sales of New Zealand kiwifruit are significantly below what they should be. "Britain has about the same population as Germany," he says "but we sell six times as much there".

One possible reason for the difference, says Mr Henry, is that Germans are more health conscious. "They appreciate the healthy properties of kiwifruit".

Only 6 per cent of New Zealand kiwifruit shipped to Europe is sold in Britain. Last year the country bought 2m trays, but Mr Henry hopes to triple this in three years. Most of the kiwifruit sold in Britain now comes from Italy, France and Chile.

Under the agreement Geest will provide a nationwide wholesale distribution and logistics service. The board will continue direct pricing and marketing policies, and for the first time will appoint a UK manager who will be based at Geest's headquarters.

Under the new structure the board will have direct access to the consumer market, giving it the opportunity to respond quickly to seasonal swings and to deliver tailor made promotions to supermarkets.

The deal with Dole in Japan is the first such distribution agreement the US company has signed. It is also the first time it has marketed fruit under a label other than its own.

Mr Henry says that this is a recognition of the strong image of New Zealand kiwifruit in the Japanese market. Japan, one of New Zealand's most important markets, last year bought nearly $NZ200m worth of New Zealand kiwifruit, which commands a substantial margin in that market.

Dole will undertake the storage and direct merchandising, including preparing pre-pack items for supermarkets.

With the first shipments of the new season's fruit headed for export markets, Mr Henry says he is optimistic about prospects in most markets, apart from the US, where the anti-dumping order remains in force.

Before the order was introduced New Zealand was selling 4m trays there annually, but this season it will attempt to sell only 700,000 trays. "That market is basically uneconomic," Mr Henry says.

The board will retain a role in the US market in the hope that the eventually the US will lift its open-ended anti-dumping measure.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1458-9	1487-8
Previous	1441-2	1471-2
High/low		1492/1479
AM Official	1460.5-1	1489.5-90
Kerb close		1488-9
Open int.	273,462	
Total daily turnover	56,038	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1450-5	1468-70
Previous	1440-50	1458-60
High/low		1470/1465
AM Official	1450-60	1468-8
Kerb close		1460-70
Open int.	2,758	
Total daily turnover	659	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	538-9	555.5-6
Previous	538-9	558-7
High/low		569/555.5
AM Official	547-8	565.5-6
Kerb close		560-1
Open int.	37,359	
Total daily turnover	3,981	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6395-405	6485-90
Previous	6390-400	6480-90
High/low		6570/6485
AM Official	6435-40	6535-40
Kerb close		6485-90
Open int.	55,869	
Total daily turnover	18,586	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5568-73	5645-50
Previous	5570-80	5640-60
High/low		5660/5640
AM Official	5570-5	5650-5
Kerb close		5640-50
Open int.	16,511	
Total daily turnover	3,541	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	979.5-80.5	1004.5-5
Previous	984-5	1009.5-10
High/low		1016/1003
AM Official	988-9	1013.5-4
Kerb close		1010-1
Open int.	105,725	
Total daily turnover	13,495	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2467-8	2483-4
Previous	2436-7	2451-2
High/low	2487	2509/2475
AM Official	2487-8	2499-500
Kerb close		2489-90
Open int.	220,888	
Total daily turnover	101,772	

■ LME AM Official £/$ rate: 1.5393

LME Closing £/$ rate: 1.5400

Spot:1.5425 3 mths:1.5408 6 mths:1.5392 9 mths:1.5380

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jun	113.10	+0.15	113.70	113.10	255	62
Jul	113.05	-0.15	113.80	112.30	17,299	6,930
Aug	113.30	-0.10	113.80	113.30	704	10
Sep	113.50	-0.10	114.30	112.60	30,409	3,834
Oct	112.85	-0.15	113.10	113.10	278	-
Nov	112.35	-0.15	112.80	112.80	239	-
Total					82,713	11,814

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	390.50-390.90	
Opening	389.30-389.70	
Morning fix	389.50	254.442
Afternoon fix	389.00	252.762
Day's High	390.60-391.00	
Day's Low	388.80-389.20	
Previous close	390.50-390.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month .... 4.05 6 months 4.41

2 months .... 4.10 12 months 4.91

3 months 4.16

Silver Fix	p/troy oz.	US cts equiv.
Spot	350.10	536.50
3 months	354.35	542.40
6 months	358.80	548.70
1 year	371.50	568.40
Gold Coins	$ price	£ equiv.
Krugerrand	394-397	256-261
Maple Leaf	400.55-403.05	
New Sovereign	92-95	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

Wool

When selling resumed in Australia on Tuesday prices generally were firm to unchanged. A slightly easier tendency appeared the next day, but by Thursday prices were again firm. However, the real test of values will come next week, at the closing sales for the 1993-94 season, when there will be substantial quantities of wool on offer. It is noted that there has been a fall of inquiry for stockpile wool. Last week's sales, reports Wool International, totalled 4,667 bales, of which 3,416 were for deferred delivery. At June 17 the stockpile amounted to 3,679,798 bales. While most traders continue to predict a reasonably firm start to next season's sales, a key factor in the longer term is the reluctance of spinners to pay prices for tops which fully reflect current replacement costs. The market indicator was 627c/kg on Thursday.

SOFTS

■ COCOA LCE (£/tonne)

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Close	Day's change	High	Low	Open int	Vol
Jul	12.08	+0.25	12.15	11.85	17,212	5,353
Oct	12.11	+0.28	12.22	11.85	73,718	19,307
Mar	11.80	+0.23	11.87	11.60	27,782	4,145
May	11.78	+0.21	11.80	11.59	4,336	418
Jul	11.73	+0.20	11.70	11.53	1,843	158
Oct	11.67	+0.20	11.67	11.58	953	22
Total					125,813	30,464

■ COTTON NYCE (50,000lbs; cents/lbs)

	Close	Day's change	High	Low	Open int	Vol
Jul	73.14	-2.00	75.10	73.14	4,467	2,422
Oct	75.15	-0.55	75.78	74.80	7,785	1,977
Dec	75.00	-0.35	75.28	74.40	28,721	3,906
Mar	75.85	-0.50	76.20	75.51	4,425	410
May	76.56	-0.30	76.60	76.06	2,306	246
Jul	77.00	-0.32	76.95	76.62	785	1
Total					48,763	8,973

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Close	Day's change	High	Low	Open int	Vol
Jul	87.75	-2.25	89.50	85.30	5,386	743
Sep	91.25	-1.46	92.25	89.05	11,430	632
Nov	93.75	-0.85	94.30	91.10	2,263	302
Jan	96.55	-0.55	96.90	94.25	3,260	97
Mar	98.50	-0.65	98.50	97.00	1,397	26
May	101.50	+0.35	101.00	100.00	58	5
Total					23,836	1,806

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jun 23	Jun 22	month ago	year ago
2002.2	2007.0	1964.9	1672.4

■ CRB Futures (Base: 4/9/56=100)

Jun 22	Jun 21	month ago	year ago
230.87	234.29	231.59	206.70

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lb)

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Aug)

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

■ OTHER

CROSSWORD

No.8,488 Set by HIGHLANDER

ACROSS

1 Example that's accepted by messenger's leader (8,6)

10 Restrict openings for landlords in Middlesex with it (5)

11 Can girl appear in old car? (3,6)

12 Spread everything round bone (7)

13 Guilty conscience about transmitting code (7)

14 Media crowd put weight on (5)

16 He says one inside is slow to act (9)

19 Didn't vote – spotted rating first (9)

20 Walk out with suitable shoe for playing area (5)

22 Unorthodox thinker at this point taking credit from speaker (7)

25 Sir Walter Scott's Russian rake (7)

27 Nearly all oriental society follows it with irritation (9)

28 Display exaggerated feelings when returning note book (5)

29 Acting as telepath even if walking on (7,7)

DOWN

2 Part-timer with hair like Delilah (9)

3 Urn at a labour camp with place of birth in it (5)

4 Soviet port when craft taken over by eastern overlord (9)

5 Dervish insurgent leaders organised rising with Algerian money (5)

6 Puzzling note – I'm acting strangely (9)

7 For anyone listening, bring up gold shaving gear (5)

8 Joints in jackets (7)

9 Lavish friends turn up (4-2)

15 Astonishing songbird covers bottom of nest (9)

17 Team publish something relatively unimportant (4,5)

18 Try to handle feathers (9)

19 He doesn't believe he's at it originally (7)

21 In rows about getting drawn on the outside (6)

23 Right-hand page turned over in Huguenot ceremony (5)

24 Divided about remaining (5)

26 Before midday aim to improve (5)

Solution 8,487

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Sell-off in futures undermines initial advance

By Terry Byland,
UK Stock Market Editor

The London stock market suddenly developed a mind of its own yesterday afternoon, reversing an early advance to fall sharply in the direction of the year's lows. Weakness in UK shares contrasted with firmness in other markets, including the British government bonds sector.

In early afternoon, the FT-SE 100 Index dipped to 2,936.5, a fall of nearly 24 points and within 5 points of the closing low recorded at the beginning of this month.

The turnround from the 19-point gain at the market opening coincided with news that US durable goods had risen by a potentially inflationary 0.9 per cent in May; but traders also referred to general nervousness ahead of publication today of the UK government White Paper on the pensions industry, which some analysts fear may urge that funds increase weighting in bond markets.

The final reading showed the FT-SE 100 at 2,942.4 for a loss on the day of 18 points. Although trading in equities increased, the selling pressure came through the stock index futures markets, where two large sellers, one of whom, at least, was a US firm, drove the September contract on the Footsie to a substantial discount and undermined the stock market.

Selling was not confined to the Footsie list but spread across the full range of the market. The FT-SE Mid 250 Index declined 24.3 to 3,436.9. However, non-Footsie stocks made up only about 45 per cent of the day's Seaq total of 540.2m shares; on Wednesday, 463.3m shares were traded through Seaq, for a retail, or customer, value of £1.3bn, a return to healthy profitable levels of equity trading for the London-based securities industry.

Account Dealing Dates			
*First Dealings: Jun 6	Jun 20	Jul 4
Option Declarations: Jun 16	Jun 30	Jul 14
Last Dealings: Jun 17	Jul 1	Jul 15
Account Day: Jun 27	Jul 11	Jul 26

*New time dealings may take place from two business days earlier.

At first, UK shares followed trends in European bond and stock markets, moving higher as the US dollar steadied in response to the assurances overnight from President Clinton and the US trade secretary that the US currency would be defended. But London equities appeared to part company with other markets in the second half of the session.

An outstanding feature was the collapse of shares in The Telegraph, together with losses in other UK newspaper shares, as a sharp cut in the Telegraph cover price indicated a significant upgrading of the UK press circulation war sparked off by price cuts by the Murdoch group publications. The Telegraph share price fell by about one third and the London Stock Exchange announced an inquiry into share dealings.

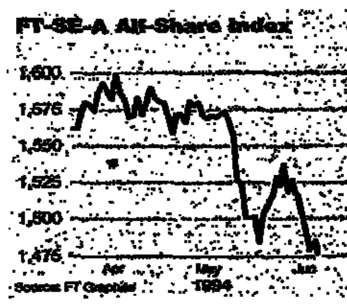
There was also a fall in Mirror Group Newspapers, head-on rival with the Murdoch tabloids and also the new owner of The Independent, which also reduced its cover price, albeit for only one day.

Eurotunnel advanced at first in spite of some disappointment with the take-up of only 67.7 per cent of the rights issue. The stock lost its gain before the close and traders commented that the share price would be vulnerable to any further shakeout in equity markets.

London's concentration on its own concerns masked developments elsewhere. But strategists said that the clouds remain over the outlook for the US dollar and that markets would continue to look for more decisive action on the US currency than indicated by the US trade secretary.

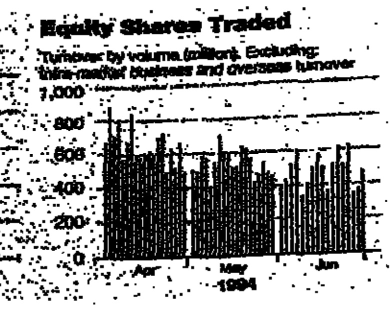
Some investors had hoped for a cut in key rates from the Bundesbank yesterday and there was some disappointment when the German central bank made no move on its discount or Lombard rates.

FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded


Turnover by volume (million). Excluding: intra-market business and overseas turnover

■ Key Indicators

Indices and ratios

FT-SE 100	2942.4	-18.0	FT Ordinary index	2291.5	-20.1
FT-SE Mid 250	3436.9	-24.3	FT-SE-A Non Fins p/e	18.84	(18.95)
FT-SE-A 350	1483.1	-9.4	FT-SE100 Fut Sep	2935.0	-33.0
FT-SE-A All-Share	1478.35	-8.70	10 yr Gilt yield	8.71	(8.77)
FT-SE-A All-Share yield	4.00	(3.97)	Long gilt/equity yld ratio:	2.18	(2.25)

Best performing sectors		Worst performing sectors	
1 Telecommunications	+0.6	1 Media	-4.0
2 Other Services & Bens	+0.5	2 Tobacco	-2.4
3 Oil, Integrated	+0.4	3 Spirits, Wines & Cider	-1.8
4 Investment Trusts	+0.3	4 Electronic & Elec Eqpt	-1.5
5 Life Assurance	+0.2	5 Printing, Paper & Pckg	-1.3

Telegraph plunges on price war

Publishing stocks pre-empted the weakness in the London stock market as The Telegraph saw its shares sold heavily after joining battle in the price war started by the Murdoch newspaper group.

The stock touched a low of 340p and closed 191 down at 349p with 6.3m shares traded, one of the biggest daily turnovers since flotation at 325p a share two years ago.

The Telegraph decision to cut its weekday cover price to 30p from 48p and the accompanying statement that revenue would fall by £40m this year sent analysts scurrying to lower their forecasts for this year and next. And news that The Times is to cut its price further, announced after the market closed, is likely to cause further turmoil in the sector today.

It also marked a significant scaling up of the price battle in the UK newspaper industry and consequently sent shares in United Newspapers, owners of the Daily Express, down 83 to 510p, Daily Mail Trust down 178p to 1275p and Mirror Group, which not only has a big stake in the Independent but is also suffering the effects of the price cut by Mr Murdoch's Sun newspaper, down 31 to 134p with 14m shares changing hands.

The Stock Exchange is believed to have launched a full inquiry into the Telegraph share trading. In particular, the Exchange will be looking very closely at when the company first began to consider cutting its newspaper cover price. A month ago, Hollinger, the Canadian company controlled by Telegraph owner Mr Conrad Black, offloaded 12.5m Telegraph shares at 587p and under Stock Exchange rules a company cannot deal in its shares if it has undisclosed price-sensitive information. Ms Lorna Tilbian of S.G. Warburg said: "All hell will break loose. You cannot place a stake on May 19 and have a price war on June 23." Ms Tilbian cut her current year profits forecast by £15m to £47.5m and her estimate for next year by £22.5m to the same figure.

Wellcome hint

Pharmaceutical group Wellcome was dragged down with the market, but one leading US analyst was telling clients that the UK company could be the next target for a significant merger or takeover in the sector.

Dr Jonathan Gelles of Wertheim Schroder believes the US holding in Wellcome, officially about 3.6 per cent, has doubled in the past month. The performance of the shares reflects buying interest, probably from the US. Wellcome has outperformed the All-Share Index by 9.5 per cent, and the sector by more than 5 per cent, since the start of June.

Dr Gelles argues that Wellcome Trust, which still controls 40 per cent of the company, is only interested in maximising profits in order to further research and would be quite happy to see a merger or acquisition. He believes the company has a take-out value equivalent to about 900p a share. Yesterday the shares fell 16 to 586p.

Unigate gain

Milk producer Unigate strengthened as rumours over the possible sale of its stake in Dutch group Nutricia resurfaced. Unigate has a 34 per cent stake in the baby food manufacturer, most of which it gained when it sold Nutricia its Cow and Gates food business in 1981. Speculation over Unigate's next move have featured intermittently in the stock market ever since, with some suggestions that the UK group might at some stage be considering a full bid.

However, yesterday's talk favoured a disposal and the shares gained 3 to 366p. Heinz of the US, Swiss group Nestle and Germany's Altana were being linked with the gossip, which if true, would most likely be followed by a full bid. Analysts estimated the stake's worth at around £250m.

Shares in Channel tunnel operator Eurotunnel relinquished a strong early advance to finish a penny off at 278p. The group reported a 67.7 per cent take up of the UK part of its £858m rights issue.

A quiet day's trading in Thorn EMI followed the release of the MMC inquiry into compact disc prices which dealers said had already been discounted in the shares. The report cleared the record companies of collusion, a result which had been widely leaked to the market several weeks ago. Thorn also announced after the market closed that it had reached agreement on the sale of its defence business to Thomson-CSF of France. Analysts said the long-awaited disposal would hasten the demerger of the leisure group into its music and rental constituents. The shares slipped 2 to 1043p.

First Leisure slid a further 10 to 279p following results on Wednesday, considered by the market as mildly disappointing. However, the continued weakness led some specialists to the belief that the shares could be undergoing a re-rating.

Grand Metropolitan retreated 15 to 390p on 6.7m traded as Smith New Court trimmed its 1995 profit forecast from £1bn to £957m.

Clearing bank TSB fell 9 to 211p after reporting half-year profits of £226m, up from £80m previously and in line with market forecasts. TSB also confirmed market speculation that it intends to buy a big building society.

A stock overhang was reported in components group T&N and the shares closed 3 lighter at 218p. Engineering group ML Holdings moved 4 ahead to 45p, after several brokers upgraded current year profit expectations following the group's return to profit. The company reported profits of £5.2m against an £11.2m loss the previous year.

A Rolls-Royce presentation to analysts and institutions in the City generated little enthusiasm for the stock leaving the shares a penny lighter at 181p, after trade of 7m.

Shares in business services group BET firmed a penny to 115p after NatWest Securities turned more positive on the stock. NatWest said: "With the risk factor much reduced, and personnel and textile rental sensitive to improving employment trends, we can no longer be negative on the stock."

Results from Southern Electric were at the top end of market forecasts and the shares ran up 6 to 559p.

There were mixed fortunes for four new stocks. Book publishers Bloomsbury Publications came to the market at 105p and was bought up to 110p, while VCI slid 9 to 141p. Property agency Chesterton fell 3½ from its issue price to close at 100½p.

MARKET REPORTERS:
Peter John,
Christopher Price,
Joel Kibazo.

■ Other statistics, Page 21

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (22).

BANKS (1) Asahi, BREWERIES (2) Burtonwood, Holt (J), BUILDING & CNSTRN (1) Kajima, BLDG MATLS & MCHTS (1) Halstead (J), DISTRIBUTORS (1) Norbain, ELECTRNC & ELECT EQUP (3) Microvitec, Plasmec, Telspec, ENGINEERING (1) GEI, ENG, VEHICLES (1) Boustead, EXTRACTIVE INDS (3) Greenwich Res., New Wits, Randex, INVESTMENT TRUSTS (1) Hong Kong Zero PL, INVESTMENT COMPANIES (1) Lydenburg, MEDIA (1) Metro Radio, OTHER FINANCIAL (1) Anglo Amer. Inv., RETAILERS, FOOD (1) SPIRITS, WINES & CIDERS (1) SUPPORT SERVS (1) Sanderson Electronics, TEXTILES & APPAREL (2) Dewhirst, Wensum.

NEW LOWS (223).

GILTS (2) BANKS (3) BREWERIES (4) Bass, Boddington, Fosters, Vaux, Whitbread, BUILDING & CNSTRN (6) Arcoside, Galliford, Higgs & Hill, Jarvis, Raine, BLDG MATLS & MCHTS (3) Breedon, Graham, Rugby, CHEMICALS (3) Hickson Intl., Laporte, Scapa, DISTRIBUTORS (7) DIVERSIFIED INDLS (7) Adwest, Bibby (J), Cannon Street, DCC, Hanson 9¾pc Cnv Bd., Powell Duffryn, Unidare, ELECTRNC & ELECT EQUP (8) ENGINEERING (8) Charnwing, IMI, McKechnie, Weir, Whessoe, ENG, VEHICLES (4) EXTRACTIVE INDS (4) FOOD MANUF (4) Avonmore, Dalgety, JLI, Nichols (V), GAS DISTRIBUTION (1) Calor, HEALTH CARE (7) AAH, Court Cavendish, CrestaCare, Goldsborough Hlth., M.L. Labs., Quality Care Homes, Takare, HOUSEHOLD GOODS (2) INSURANCE (3) INVESTMENT TRUSTS (40) INVESTMENT COMPANIES (4) LEISURE & HOTELS (2) First Leis., My Kinda Town, LIFE ASSURANCE (1) Britannic, MEDIA (11) MERCHANT BANKS (3) Hambros 20p, Do 7½pc Cv. Prf., Rea Bros., OIL EXPLORATION & PROD (1) Energy Equity, OIL, INTEGRATED (1) OTHER FINANCIAL (5) PHARMACEUTICALS (1) Celltech, PRTNG, PAPER & PACKG (3) PROPERTY (16) RETAILERS, FOOD (2) Fitzwilton, Geest, RETAILERS, GENERAL (11) SPIRITS, WINES & CIDERS (2) Grand Met., Guinness, SUPPORT SERVS (11) TELECOMMUNICATIONS (2) Securicor NV, Security Servs., TEXTILES & APPAREL (6) Claremont Garments, Gent (SR), Jerome, Lambert Howarth, Lyles (S), PEX, Readicut, Shani, Sherwood, TOBACCO (1) BAT Inds., TRANSPORT (4) WATER (7) AMERICANS (2) CANADIANS 12).

EQUITY FUTURES AND OPTIONS TRADING

Continued worries about inflation brought heavy selling in Footsie futures, helping to reverse an advance in the cash market, *writes Joel Kibazo.*

Having opened firmly at 2,988, the September contract on the FT-SE 100 fell on inflation worries to trade around the 2,880 level for the next few hours.

The lunchtime release of stronger than anticipated US durable goods data brought renewed fears of an increase in interest rates. Futures traders sold the contract heavily, with independent traders (locals), together with a leading US investment bank, noted as active participants in the trading. The strong downward pressure was soon having an impact on the cash market and after initial resistance it too buckled under the selling pressure, reversing an early advance.

The contract traded at a discount to the underlying market for a large part of the session.

September ended at 2,935, down 33 from the previous day's close and at a 20-point discount to its fair value premium to cash of about 13 points. Volume was 15,580.

It was a dull day in the traded options sector and turnover was 24,025 contracts, against a previous 33,792 lots. The FT-SE 100 option only saw business of 9,236 contracts. British Gas was the busiest stock option with 2,627 contracts traded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	2988.0	2935.0	-33.0	2990.0	2925.0	15580	50909
Dec	-	2944.0	-33.0	-	-	0	952

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3453.5	3402.0	-47.0	3453.5	3448.0	100	3999

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3415.0	-	-	-	-	577

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*2943) £10 per full index point

	2750		2800		2850		2900		2950		3000		3050		3100	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Jul	199	10½	149½	16½	107½	27½	72½	43½	44½	67	25	99½	13	137½	6½	182½
Aug	209½	29½	172	41½	136½	55	108	74	78	95½	57	124½	38½	155½	25	192
Sep	228	46	191	57½	155½	71½	126	93	98½	112½	74½	139½	53½	168	39½	204
Oct	241	57½	202	68½	168½	84½	140	104	112½	125½	92½	154½	73	185	58	220
Dec†			225½	85			166½	126			118½	176½			76	235

Calls 3,922 Puts 5,491

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2775		2825		2875		2925		2975		3025		3075		3125	
Jul	164½	14	124½	20½	87½	34½	58½	54½	34	81½	17	115½	9½	156½	4½	201½
Aug	188½	31½	152	45	119½	62	91	83	67	108½	47½	138½	32	173	20½	211
Sep			165½	57			108½	98½			82½	151½			32	220
Dec			212	96			153	134½			104	183			68	244½
Mar†			249	118			191	156½			142½	204			102½	260½

Calls 1,571 Puts 749 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3450	3500	3550	3600	3650	3700	3750
Jul	60½ 40¼	38¼ 65¼	20½ 100½	10½ 140	4½			

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Jun 23	Day's chge%	Jun 22	Jun 21	Jun 20	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	2942.4	-0.6	2960.4	2940.2	2971.1	2894.7	4.21	7.10	16.68	52.31	1100.19
FT-SE Mid 250	3436.9	-0.7	3461.2	3461.9	3478.7	3215.7	3.82	5.86	20.64	53.77	1268.42
FT-SE Mid 250 ex Inv Trusts	3437.1	-0.8	3465.2	3467.9	3480.9	3230.9	3.78	6.34	19.22	55.57	1265.09
FT-SE-A 350	1483.1	-0.6	1492.5	1484.7	1498.4	1442.8	4.07	6.81	17.45	25.84	1134.87
FT-SE SmallCap	1823.84	.....	1824.63	1826.68	1835.58	1645.70	3.08	4.11	31.12	22.48	1402.85
FT-SE SmallCap ex Inv Trusts	1804.53	-0.1	1806.62	1809.73	1815.89	1650.13	3.23	4.50	28.95	23.01	1391.11
FT-SE-A ALL-SHARE	1478.35	-0.6	1485.05	1478.03	1491.12	1428.44	4.00	6.61	18.04	25.00	1149.24

■ FT-SE Actuaries All-Share

	Jun 23	Day's chge%	Jun 22	Jun 21	Jun 20	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2640.53	+0.1	2637.75	2604.05	2645.86	2231.00	3.54	4.44	28.28	37.93	1049.32
12 Extractive Industries(4)	3762.67	-0.6	3774.30	3724.28	3811.04	3100.70	3.53	5.36	23.29	43.39	1024.06
15 Oil, Integrated(3)	2594.09	+0.4	2584.82	2551.21	2592.12	2154.00	3.55	4.56	27.22	40.43	1052.70
16 Oil Exploration & Prod(11)	1961.41	-0.9	1969.40	1950.58	1953.52	1957.80	3.42	1.21	60.00†	16.27	1116.87
20 GEN MANUFACTURERS(263)	1902.65	-0.7	1916.69	1903.65	1915.48	1797.60	3.98	4.79	25.87	30.95	958.96
21 Building & Construction(32)	1162.03	+0.1	1160.73	1146.75	1155.45	1057.00	3.28	4.49	28.80	15.62	901.79
22 Building Matls & Merchs(31)	1824.91	-0.3	1830.60	1790.10	1791.12	1655.70	4.01	4.16	30.70	33.33	852.60
23 Chemicals(21)	2326.55	-0.3	2332.86	2315.72	2330.16	2199.20	3.99	4.14	31.13	43.97	1022.18
24 Diversified Industrials(16)	1897.05	-1.1	1917.99	1899.67	1909.30	1872.10	4.79	4.74	26.15	40.00	959.28
25 Electronic & Elect Equip(34)	1910.84	-1.5	1939.02	1943.49	1962.65	2057.30	3.86	6.81	17.82	14.42	915.32
26 Engineering(71)	1776.00	-0.2	1780.07	1781.68	1788.92	1564.90	3.15	4.80	24.98	23.31	1005.98
27 Engineering, Vehicles(12)	2162.49	-1.2	2187.75	2207.77	2247.47	1761.00	4.84	2.39	57.98	33.62	1034.90
28 Printing, Paper & Pckg(26)	2710.76	-1.3	2747.81	2722.18	2748.90	2340.70	3.09	5.27	22.50	37.83	1058.05
29 Textiles & Apparel(20)	1692.80	-0.5	1701.52	1707.47	1722.85	1817.40	4.15	5.97	20.64	30.60	952.17
30 CONSUMER GOODS(96)	2538.19	-0.9	2561.62	2574.16	2599.22	2681.30	4.60	7.96	14.73	52.29	863.90
31 Breweries(17)	2114.62	-1.2	2139.63	2140.52	2153.12	2031.70	4.46	7.98	15.38	36.81	940.87
32 Spirits, Wines & Ciders(10)	2702.99	-1.8	2751.84	2748.36	2774.23	2815.90	4.09	7.13	16.26	56.78	900.82
33 Food Manufacturers(23)	2123.18	+0.1	2120.86	2117.76	2145.75	2271.20	4.51	8.38	13.91	48.04	885.95
34 Household Goods(13)	2367.51	-0.7	2384.05	2384.17	2409.77	2168.60	3.71	7.77	15.47	41.30	843.76
36 Health Care(20)	1629.53	-0.8	1642.53	1644.87	1649.47	1702.30	3.14	3.18	68.76	25.58	939.86
37 Pharmaceuticals(12)	2739.10	-0.5	2752.67	2793.12	2809.77	2895.60	4.66	7.97	14.45	47.20	857.12
38 Tobacco(1)	3196.24	-2.4	3275.94	3284.33	3364.02	3811.40	6.59	10.66	10.71	102.35	711.74
40 SERVICES(222)	1895.42	-0.9	1913.26	1904.73	1918.22	1819.90	3.21	6.16	19.33	26.63	923.81
41 Distributors(31)	2697.31	-0.4	2708.49	2720.61	2744.97	2685.90	3.30	6.41	18.38	37.24	925.49
42 Leisure & Hotels(24)	2084.44	-0.5	2094.87	2087.78	2098.86	1843.80	3.51	4.67	25.07	19.42	1014.28
43 Media(39)	2741.43	-4.0	2854.70	2851.47	2886.10	2386.40	2.37	5.40	21.69	37.31	946.35
44 Retailers, Food(17)	1648.03	-0.1	1650.20	1642.91	1658.26	1684.90	3.86	9.31	13.19	32.50	980.47
45 Retailers, General(45)	1651.12	-0.1	1652.48	1641.23	1642.00	1509.70	3.10	6.30	19.76	25.01	877.27
48 Support Services(40)	1520.83	.....	1520.19	1504.83	1523.25	1531.30	2.70	6.17	19.04	15.78	917.26
49 Transport(16)	2212.22	-0.5	2223.86	2210.76	2213.39	2068.10	3.79	5.31	20.43	31.86	861.40
51 Other Services & Business(10)	1187.65	+0.5	1181.71	1171.84	1180.20	1252.90	4.03	2.30	60.00†	11.00	1010.44
60 UTILITIES(36)	2149.86	-0.1	2151.62	2136.53	2147.72	2145.10	4.88	8.68	14.13	31.29	815.86
62 Electricity(17)	2079.07	-0.1	2081.79	2081.76	2087.51	1744.90	4.27	11.82	10.25	30.07	846.89
64 Gas Distribution(2)	1737.48	-1.1	1757.05	1696.28	1741.18	1974.70	6.90	‡	‡	53.43	794.04
66 Telecommunications(4)	1923.84	+0.6	1912.76	1899.14	1899.01	2034.80	4.29	8.08	15.07	8.50	804.49
68 Water(13)	1615.51	-1.1	1633.61	1637.92	1655.49	1649.60	6.02	14.45	7.58	52.41	805.91
69 NON-FINANCIALS(635)	1594.34	-0.6	1604.35	1597.26	1609.99	1546.61	4.01	6.41	18.84	25.82	1114.61
70 FINANCIALS(104)	2089.85	-0.6	2101.84	2088.10	2114.03	2032.10	4.32	8.70	13.21	46.17	819.68
71 Banks(10)	2698.29	-0.8	2720.41	2705.32	2760.72	2512.30	4.03	8.93	12.70	59.07	799.13
73 Insurance(17)	1196.87	-1.1	1209.81	1192.73	1200.89	1368.10	5.39	12.04	9.27	29.06	809.78
74 Life Assurance(6)	2268.96	+0.2	2265.05	2241.07	2253.51	2632.60	5.48	8.02	15.31	66.38	861.36
75 Merchant Banks(6)	2704.74	.....	2704.50	2706.78	2717.24	2582.80	3.70	12.46	9.40	55.68	811.62
77 Other Financial(24)	1800.90	.....	1801.54	1802.38	1801.10	1505.00	3.82	7.88	14.90	31.36	953.58
79 Property(41)	1490.24	.....	1489.76	1481.29	1477.23	1337.90	4.04	4.02	31.11	26.22	847.55
80 INVESTMENT TRUSTS(123)	2673.31	+0.3	2666.59	2656.32	2692.84	2359.20	2.25	1.92	52.74	29.04	893.63
89 FT-SE-A ALL-SHARE(862)	1478.35	-0.6	1485.05	1478.03	1491.12	1428.44	4.00	6.61	18.04	25.00	1149.24

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2978.4	2975.0	2970.0	2977.5	2975.0	2961.8	2940.3	2945.5	2942.8	2979.4	2938.5
FT-SE Mid 250	3458.5	3458.2	3453.1	3455.4	3454.3	3449.1	3438.4	3435.5	3437.0	3462.4	3435.3
FT-SE-A 350	1499.3	1497.9	1495.4	1498.5	1497.5	1491.8	1482.4	1484.2	1483.3	1499.8	1480.8

Time of FT-SE 100 High 8.31am Low 2.05pm

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1110.6	1111.3	1112.8	1113.9	1113.0	1112.9	1109.6	1109.2	1106.3	1105.9	1104.6	+1.3
Pharmaceuticls	2749.1	2745.2	2746.2	2746.6	2744.8	2732.1	2706.0	2722.0	2712.3	2712.3	2725.8	-13.5
Water	1629.9	1630.8	1617.4	1614.5	1614.1	1610.7	1606.5	1605.4	1611.9	1612.1	1630.4	-18.3
Banks	2770.7	2759.9	2758.1	2763.5	2758.8	2746.9	2726.1	2731.3	2732.0	2731.3	2753.7	-22.4

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	7,100	54½	-½
Abbey National†	1,400	401	-5
Albert Fisher	357	51	
Allied-Lyons†	945	566	-2
Anglian Water	923	487	-6
Argos	217	343½	+6½
Argyll Group†	3,700	237	-2
Arjo Wiggins†	1,700	248	-9
Assoc. Brit. Foods†	1,000	507½	+3½
Assoc. Brit. Ports	2,500	238	+1
BAA†	866	899	-9
BAT Inds.†	5,000	381	-6½
BET	2,500	115	+1
BICC	616	366	-9
BOC†	798	700	-6
BP†	13,000	404½	+2
BPB Inds.	1,100	233	+1
BT†	8,600	370½	+2½
BT (F/Paid)	5,300	252½	+3½
BTR†	3,600	357	-5½
Bank of Scotland†	1,900	187	+3
Barclays†	4,000	535	-4
Bass†	1,000	502	-8
Blue Circle†	2,000	280	-5
Booker	18	402	+2
Boots†	1,300	527	
Bowater†	1,000	447	-7
Brit. Aerospace†	313	455	-10
British Airways†	4,100	387	-2
British Gas†	9,100	261	-3
British Land	533	378	-3
British Steel†	1,700	135½	
Bunzl	2	151	-4
Burmah Castrol†	462	853	-4
Burton	5,400	58¾	-¼
Cable & Wire†	4,100	428	+3
Cadbury Schweppes†	4,100	423½	-½
Calor Group	206	274	-1
Caradon†	2,200	297	+4
Carlton Comms.†	929	822	-13
Coats Viyella†	1,500	223	
Comm. Union†	1,300	516	-1
Cookson	590	236	-7
Courtaulds†	1,300	489	
Dalgety	43	398	-2
De La Rue†	560	887	-7
Dixons	1,300	190	+3
Eastern Elect.	413	588	-1½
East Midland Elect.	616	584	+4
Eng China Clays	252	334	
Enterprise Oil†	601	413	-10
Eurotunnel Units	3,600	278	-1
FKI	1,500	174	+1
Fisons	236	138	-3
Foreign & Col. I.T.	782	130½	-½
Forte†	1,800	227	-2
Gen. Accident†	1,200	558	-4
General Elect.†	4,400	283	-6½
Glaxo†	2,700	542	+4
Glynwed	532	338½	+2
Granada†	1,400	528	+½
Grand Met.†	6,900	390	-15
GUS†	1,800	589	+5
GRE†	1,100	172	-5
GKN†	1,000	570	-4
Guinness†	3,800	448	-5
HSBC (75p shs)†	4,300	689	-3
Hammerson	7	345	-1
Hanson†	7,200	240	-2
Harrisons Crosfield	894	186	-1
Hays	385	275	-1
Hillsdown	1,500	156	-1
IMI	885	297	-1½
ICI†	1,800	782	+6
Inchcape†	337	450	-7
Johnson Matthey	223	516	+½
Kingfisher†	1,300	494	-6
Kwik Save	250	583	
Ladbroke†	2,600	159	
Land Securities†	620	604	-5
Laporte	138	714	-8
Legal & General†	610	421	-4
Lloyds Abbey	730	336	-5
Lloyds Bank†	1,800	541	-7
LASMO	2,000	148	
London Elect.	154	643	+3
Lonrho	2,100	130	
Lucas	1,500	164½	-6½
MEPC†	512	418	+2
MFI	3,600	139½	+1½
Manweb	62	656	-9
Marks & Spencer†	4,300	402	-2½
Midlands Elect.	310	561	-5
Morrison (Wm.)	1,600	126	-1
NFC†	3,300	190	-½
NatWest Bank†	5,400	450	-3
National Power†	1,300	425	
Next	647	244½	+½
North West Water†	333	472	-3
Northern Elect.	40	646	+5
Northern Foods†	12,000	200	+1
Norweb	383	605	-7
Pearson†	2,300	600	-5
P & O†	565	614	-3
Pilkington	5,700	168	+3
PowerGen†	1,100	470	+2
Prudential†	5,300	300	+2
RMC†	91	929	+1
RTZ†	1,900	835	-8
Racal	584	233	-1
Rank Org.†	2,400	360	-8
Reckitt & Colman†	657	563	-6
Redland†	1,400	485	-5
Reed Intl.†	1,200	768	-2
Rentokil†	1,700	210	+1½
Reuters†	3,200	437	-12
Rolls Royce†	7,200	181	-1
Ryl Bk Scotland†	1,000	426	
Royal Insurance†	1,800	252	-10
Sainsbury†	1,100	404½	-½
Schroders	236	1165	+5
Scottish & New.†	742	509	-8
Scot. Hydro-Elect.	375	332	-7
Scottish Power†	1,800	350	-4
Sears†	4,000	119½	
Sedgwick	795	170	-2
Seeboard	419	318	-1
Severn Trent†	1,100	472	-15
Shell Transport†	4,000	697	+2
Siebe†	800	534	+4
Slough Ests	378	242	+4
Smith (W.H.) A	798	471	-6
Smith & Nephew†	2,700	146½	-2
SmKl Beecham†	4,500	403	
SmKl Beecham Uts.†	1,400	362	-3
Smiths Inds.	185	442	-½
Southern Elect.†	808	559	+6
South Wales Elect.	96	595	+4
South West Water	63	493	-1
South West. Elect.	97	564	-1
Southern Water	391	480	-2
Standard Chartd.†	1,000	254	-4
Storehouse	221	216	
Sun Alliance†	1,700	296	-1
T&N	2,100	218	-3
TI Group†	700	369	-4
TSB†	8,200	211	-9
Tarmac	8,400	144	-3
Tate & Lyle	947	403	+9
Taylor Woodrow	1,300	134	+1
Tesco†	5,000	229	+1
Thames Water†	1,200	445	-5
Thorn EMI†	2,200	1043	-2
Tomkins†	3,300	224	+½
Trafalgar House	1,000	88	-1
Unigate	311	366	+3
Unilever†	1,700	973	
United Biscuits†	753	315	-6
Utd. Newspapers	3,000	510	-83
Vodafone†	1,500	489	-1
Warburg (SG)†	538	701	+2
Wellcome†	2,800	586	-16
Welsh Water	298	567	+1
Wessex Water	96	567	-5
Whitbread†	721	500	-6
Williams Hldgs.†	503	340	-4
Willis Corroon	252	154	
Wimpey	2,200	167	
Wolseley†	526	723	-3
Yorkshire Elect.	133	552	+1
Yorkshire Water	252	484	-2
Zeneca†	1,200	702	-10

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	540	34½	50	–	6½	16	–
(*565)	580	8	24½	–	30½	40½	–
Argyll	220	20½	29	33	3	7½	12½
(*236)	240	7	17½	22	11	16½	22
ASDA	50	7	8	9½	1½	4	4½
(*55)	60	1½	3½	5½	6½	10½	11
Brit Airways	360	34	46½	51	3½	11	16½
(*387)	390	14	28	34	14	23½	29½
SmKl Bchm A	390	23	33½	43	8	18	27½
(*402)	420	7½	19	28½	25	35½	43½
Boots	500	35	49	58½	5	13½	20½
(*526)	550	7	22	31	29	37½	46½
BP	390	23½	35	42	5½	15	20
(*404)	420	8	18½	27	21½	31	36
British Steel	130	8½	14	17½	4½	8½	10½
(*135)	140	4	9	12½	10	13½	16
Bass	500	21	35½	44	14	22½	37
(*502)	550	4½	16	23	51½	54½	70½
Cable & Wire	425	17½	–	–	13	–	–
(*428)	450	7	–	–	28½	–	–
Courtaulds	500	12	28	37	18	30½	37½
(*488)	550	2	11½	18½	62½	66	71
Comm Union	500	26½	37	47	8	23	28
(*515)	550	6	15	24	39	54½	58
ICI	750	29½	48	60½	15½	33½	43
(*761)	800	8	23½	37	46	64	71½
Kingfisher	460	43	52½	64½	4½	14½	21
(*494)	500	17	28½	41	18	32	39
Land Secur	600	19	34½	42	12	19	26½
(*604)	650	3½	14½	19	48½	51	56½
Marks & S	390	19½	31	38	5½	12	16
(*402)	420	5	18	24	22	27½	31½
NatWest	420	37	44½	54	5	13½	17½
(*450)	460	11½	22	32	21	33	37
Sainsbury	390	21	35½	43	8	17	25
(*402)	420	7	21	28	28	33	40½
Shell Trans.	650	53½	63	78	2½	13½	18
(*697)	700	15½	30	39	17	32½	37½
Storehouse	200	17	23	27½	3½	7½	11½
(*215)	220	8	12½	17	13½	18	21½
Trafalgar	88	6½	–	–	5½	–	–
(*88)	97	2½	–	–	12	–	–
Unilever	950	38	63½	74½	12½	23½	31½
(*972)	1000	12½	36½	62	37½	49	56½
Zeneca	700	22	37½	50	16½	35½	42½
(*701)	750	4	17½	29	53	68	73½
Option		Aug	Nov	Feb	Aug	Nov	Feb
Grand Met	380	14½	27	34½	17	24½	31½
(*390)	420	5	15	23	40	44½	50½
Ladbroke	140	23½	26	31	2½	6½	7½
(*159)	160	9½	16	20½	9	14	17
Utd Biscuits	300	25½	33	37	5	14	17
(*315)	330	9½	18	23	21	30½	33½
Option		Sep	Dec	Mar	Sep	Dec	Mar
Fisons	130	17½	21½	24	7	12	14½
(*138)	140	12	16	19	12	17	19½
Option		Aug	Nov	Feb	Aug	Nov	Feb
Brit Aero	420	49	66½	78½	9½	27	34
(*455)	460	24½	46	59	26½	45½	54
BAT Inds	360	32	39	48	9	16½	19
(*381)	390	14½	24½	32½	25½	33	35
BTR	330	33	38	45	3½	9½	13
(*357)	360	12	21	28	14	23	26½
Brit Telecom	360	18	24	28	12	18	25
(*370)	390	6	11½	15½	34	37½	43½
Cadbury Sch	420	19½	29½	35½	12	23	24½
(*423)	460	5	13½	22	40½	48	50
Eastern Elec	550	44	53½	68	14	26	34½
(*586)	600	14	30½	42½	42½	53½	61½
Guinness	420	38	43½	54½	5	11½	15½
(*447)	460	11½	22	31½	20½	29½	34
GEC	280	9	16½	21	12½	16½	20½
(*283)	300	3	8½	13	28½	30½	33

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Hanson	240	9½	15	18½	8	13½	17
(*240)	260	3½	8½	18½	21½	26½	29½
Lasmo	134	19	23½	–	3½	7	–
(*148)	154	6½	12	–	12	16	–
Lucas Inds	160	12	17½	20½	5½	13	15½
(*164)	180	4	9	12½	18½	26	28
P & O	600	34	48½	60½	15½	35½	39
(*613)	650	12	25½	38	46	66	69½
Pilkington	160	15½	21½	24	6	9	12½
(*168)	180	5½	12	14	16½	20½	24
Prudential	280	27	32½	37½	4½	11½	13
(*299)	300	14	21	26½	11½	21	22½
RTZ	800	54	75	91	11½	29½	35½
(*835)	850	23½	48	64½	33	53½	60
Redland	460	38	51	57½	8½	20½	25½
(*484)	500	15	30	37	28	43	47½
Royal Insce	240	20½	26½	33	6	15½	16½
(*251)	260	9	18½	23	16	26	27
Tesco	220	15½	21½	26½	6	12½	15½
(*227)	240	5½	12	17	16	24	26½
Vodafone	460	41½	59½	65	8	18½	26
(*489)	500	17	35½	44	26	37	45½
Williams	325	22	30½	–	6	13½	–
(*340)	354	7	16	–	21½	29½	–
Option		Jul	Oct	Jan	Jul	Oct	Jan
BAA	850	68	81	92	5	16	24
(*898)	900	24½	46½	62	22	35½	45
Thames Wtr	420	32½	44½	47½	3½	11½	17½
(*445)	460	8	20½	25½	22½	29	38
Option		Sep	Dec	Mar	Sep	Dec	Mar
Abbey Natl	390	27½	35	41½	15	20½	28
(*401)	420	13	21½	27½	33	37	44½
Amstrad	25	5½	6½	7	2	3	5½
(*28)	30	3	4	5	4½	5½	6½
Barclays	500	50	58	68	13	18½	27½
(*535)	550	22	31	42	37½	44	53
Blue Circle	260	31	36½	42	9	13	14½
(*279)	280	19	26	31½	16	22½	24½
British Gas	260	16½	18½	22½	12	18	20
(*261)	280	8	11½	14	24	31½	33
Dixons	180	18½	23½	27	11	14	17
(*190)	200	8½	15	18½	22½	25	28
Hillsdown	140	22	25	27½	3½	4½	6
(*155)	160	6½	13½	16½	12	14	15½
Lonrho	130	9½	15	18½	11½	14½	17½
(*130)	140	6	10	14½	17½	20½	24½
Natl Power	420	29	37½	46	18	25½	30
(*425)	460	10½	20	28	43	49	53
Scot Power	330	31	35	39½	14	18½	22
(*350)	360	14½	20	26½	30	33	37½
Sears	110	14	16½	18	3½	5	6½
(*119)	120	7½	10½	12½	7½	9½	11½
Forte	220	21	24½	29	9½	14½	17
(*227)	240	11½	15	19½	21½	26	28½
Tarmac	140	18	18½	22½	8½	13½	15½
(*144)	160	7½	10½	14	21½	28	28½
Thorn EMI	1000	79	92	106	39½	58	69
(*1042)	1050	48	65½	79½	67	82½	95½
TSB	200	20½	24	28	8½	11	14
(*211)	220	9½	14½	18	20½	22	25½
Tomkins	220	16	21	24½	13	16	19
(*223)	240	7	12½	16½	26½	28	31½
Wellcome	550	63	77	89	19½	31½	36½
(*586)	600	34	51	62	44	56½	62
Option		Jul	Oct	Jan	Jul	Oct	Jan
Glaxo	500	51	60	71	5½	25	32
(*541)	550	18½	34	45	24½	52	59
HSBC 75p shs	650	58½	82½	108	14½	40½	50½
(*688)	700	27	57	78½	35	64	76½
Reuters	437	22	31	–	12½	25½	–
(*442)	450	15½	26	–	19	31½	–
Option		Aug	Nov	Feb	Aug	Nov	Feb
Rolls-Royce	180	11	18	22	6½	14½	17½
(*181)	200	3½	10½	14	22½	27½	30

* Underlying security price. Premiums shown are based on closing offer prices.
June 23. Total contracts: 24,171 Calls: 11,796 Puts: 12,375

FT GOLD MINES INDEX

	Jun 22	% chg on day	Jun 21	Jun 20	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (36)	2016.51	-0.6	2028.38	2013.75	1719.54	2.90	2387.40	1522.86
■ Regional Indices								
Africa (16)	2967.51	+0.4	2976.09	2967.91	2280.16	4.43	3440.80	1902.23
Australasia (8)	2655.11	+3.1	2574.11	2622.35	1942.44	1.97	3013.89	1693.18
North America (12)	1636.31	-2.0	1670.38	1643.54	1526.87	0.64	2039.85	1363.00

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: June 23: 231.9; day's change: -1.5 points; Year ago: 193.3 † Partial. Latest prices were unavailable for this edition.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	65	2	5
Other Fixed Interest	15	0	0
Mineral Extraction	33	83	83
General Manufacturers	105	155	408
Consumer Goods	31	55	106
Services	65	98	345
Utilities	12	24	10
Financials	67	101	205
Investment Trusts	166	38	286
Others	41	59	33
Totals	600	615	1453

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	June 13	Last Declarations	Sept. 15
Last Dealings	June 24	For settlement	Sept. 26

Calls: Betterware, Greenwich Res., Microfocus, Navan Res., Ransomes, Telegraph

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§120	F.P.	68.7	128	115½	Aero. Hamble	122		W3.74	2.6	3.8	12.1
161	F.P.	46.4	168	160	Amey	166		LN1.08	0.8	5.3	30.1
255	F.P.	143.8	267	258	Argent	262		-	-	-	-
100	F.P.	43.3	108	100	Automotive Precs	108		LN4.0	0.8	4.7	35.0
100	F.P.	31.9	104	100	Baillie Gifrd Shn C	103		-	-	-	-
105	F.P.	9.44	110	105	Bloomsbury Pb	110		WN2.94	2.7	3.3	11.2
§150	F.P.	30.5	154	146	Brewin Dolphin	148		L5.8	2.3	4.9	10.9
–	F.P.	222.7	81	67	CAMAS	73	+1	uN3.75	0.7	6.4	34.6
–	F.P.	105.9	112	106	CLS	107	+1	-	-	-	-
150	F.P.	17.4	160	156	CPL Aromas	160		LN3.0	2.4	2.3	15.3
§143	F.P.	12.3	170	143	Cassell	158		W3.9	-	2.9	11.2
100	F.P.	51.4	104	99½	Chesterton Intl	100½		RN3.3	1.8	4.1	14.2
–	F.P.	19.8	36	34	China Comms.	34½		-	-	-	-
130	F.P.	46.8	143	133	Denby	140		W3.1	2.8	2.8	13.6
–	F.P.	77.7	93	90	Fleming Indian	92½	+½	-	-	-	-
–	F.P.	7.75	50	42	Do Warrants	46		-	-	-	-
225	F.P.	108.3	233	225	Intermediate	232		LN8.9	2.1	4.3	8.1
–	F.P.	68.2	97	94	J'son Fry Euro	96		b5.2	-	6.6	-
–	F.P.	-	77	65	JF Fl Japan Wrts	69	+8	-	-	-	-
5	F.P.	4.20	6½	5	Kaye Food	5¼		-	-	-	-
200	F.P.	182.7	233	200	¶London Clubs	230	-1	W11.92	1.6	6.5	11.7
105	F.P.	45.4	113	98	Nightfreight	99		R3.38	2.0	4.3	13.1
120	F.P.	34.2	130	125½	Norcor	127	-1	W4.56	2.5	4.5	10.8
100	F.P.	59.3	109	100	Pittencrieff Res	103	+2	-	-	-	-
–	F.P.	263.0	131	117	Redrow	119	+1	WN2.7	2.5	2.8	15.1
	F.P.	44.6	92	89	Scudder Latin	89		-	-	-	-
–	F.P.	6.02	44	42	Do Wrts	43		-	-	-	-
100	F.P.	24.8	99	98	Shires HY Smlr C	99		-	-	-	-
§95	F.P.	13.9	113	108	Spargo Cons	111		L1.6	1.6	1.8	43.8
§108	F.P.	45.4	120	108	UPF	120		W3.67	2.7	3.8	10.3
150	F.P.	54.8	150	141	VCI	141		WN5.6	1.8	4.9	12.6

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
50	Nil	5/7	6pm	5pm	Britton	5½pm	
240	Nil	29/7	120pm	80pm	Eidos	115pm	+50
–	Nil	17/8	235pm	100pm	Euro-Disney	100pm	-80
285	Nil	14/7	65pm	3½pm	Eurotunnel	10pm	
425	Nil	5/7	35pm	5pm	Evans Halshaw	5pm	
425	Nil	1/8	69pm	67pm	Faber Prest	69pm	
100	Nil	25/7	11pm	1pm	NSM	1pm	
9	Nil	3/8	¾pm	¾pm	Paramount	¾pm	
5	Nil	21/7	9pm	5pm	Standard Plat	5pm	-1
250	Nil	27/7	38pm	14pm	Wassall	17pm	+3
73	Nil	5/8	3pm	¼pm	Wates City of Lon	¼pm	-½

FINANCIAL TIMES EQUITY INDICES

	June 23	June 22	June 21	June 20	June 17	Yr ago	*High	*Low
Ordinary Share	2291.5	2311.6	2295.9	2316.1	2373.0	2269.3	2713.6	2291.5
Ord. div. yield	4.37	4.34	4.37	4.33	4.26	4.06	4.37	3.43
Earn. yld. % full	5.82	5.78	5.81	5.82	5.73	4.84	5.82	3.92
P/E ratio net	18.28	18.41	18.37	18.34	18.64	26.47	33.48	18.28
P/E ratio nil	19.01	19.15	19.05	19.00	19.31	24.50	30.80	19.00

*For 1994. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2324.8	2319.3	2316.1	2322.5	2319.4	2310.2	2291.5	2295.2	2293.1	2324.8	2289.6

	June 23	June 22	June 21	June 20	June 17	Yr ago
SEAQ bargains	21,872	20,249	21,724	24,866	31,307	25,354
Equity turnover (£m)†	-	1258.8	926.4	856.5	1465.1	1139.2
Equity bargains†	-	22,578	23,827	25,868	34,457	30,367
Shares traded (ml)†	-	478.9	391.9	350.2	633.7	478.6

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	£21⅞	+⅞	£25⅞	£20⅞	6,269	5.3	ф
ANZ A$	194	+1½	278¼	180¾	2,880	4.8	14.9
Abbey National ...N□	401	-5	523	381	5,281	4.4	13.5
Allied Irish I£ ...♣N□	238	-3	314	238	1,588	5.3	9.1
Anglo Irish I£ ...♣N□	52xd	—	*79	50	178.9	8.3	9.5
Asahi Y	769¼	+14½	784¾	628	17,597	0.6	ф
Banco Bil Viz Pta	£15⅞	+⅛	£19¾	£14⅝	3,471	5.5	6.8
Banco Sant Pta	£30½	—	*£30½	£23¼	4,809	4.7	10.6
Bk Ireland I£ ...♣□	282xd	-1	*319	246	1,235	5.0	7.6
Bank Scotland ...♣N□	197xd	+3	247	172½	2,178	3.4	15.3
9¼pc Pf	115¾	+¾	141½	114	115.8	10.0	–
9⅜pc Pf	121	+¾	149½	119¼	121.0	10.1	–
Barclays ...♣N□	535	-4	649	497	8,764	3.5	22.2
Dai Ichi Kan Y	£12⅞	+⅛	£12⅞	£10⅞	39,449	0.4	89.9
Deutsche DM	£277⅞	-2⅞	£344¼	£277⅞	13,214	2.2	–
Espirito Santo	£17⅞	-⅞	£20⅞	£17⅞	191.1	4.5	4.3
First Nat Fin ...N□	75	—	*80	60	124.4	2.5	–
6.3pc Cv Pf	80xd	—	*90	77	5.38	9.8	–
7pc Cv Pf	140xd	—	171	123	69.4	6.2	–
Fuji Bank Y	1471½	+10	1849¼	1152½	42,687	0.4	ф
HSBC HK ...N□	769	-2	1133	697	12,407	4.1	10.3
HSBC (75p Shs) ...N□	699	-3	1113	665	5,835	4.3	10.0
Lloyds ...N□	541	-7	669	530	6,996	6.1	11.4
Mitsubishi Y	£17⅞	+⅛	£19⅞	£15⅞	49,591	0.3	ф
Mits Tst & Bk Y	1082¼	+57¾	1162¼	687½	14,225	0.5	17.5
Mitsui Tst & Bk Y	819¼	+22¼	879	514	9,816	0.7	27.9
Nat Aust A$ ...†	516½xd	-¾	620¼	502½	6,911	4.8	12.8
NatWest ...N□	450	-3	522	421	7,489	5.1	10.3
Ottoman FFr	£23½	—	£23	£23½	117.5	6.2	ф
Ryl Bk Scotland ...♣†N□	428xd	—	528	382½	3,411	3.5	19.3
Sakura Y	£9	+⅛	£9⅞	£8⅞	29,821	0.6	56.2
Sanwa Y	£14¾	+⅛	£16⅞	£11⅞	41,377	0.4	ф
Standard Chartd ...N□	254	-4	*359¼	223	2,449	3.0	11.1
7 3/8pc Pf	91	+¾	108½	88¼	91.0	10.1	–
Sumitomo Y	£13⅞	+⅛	£16¼	£11½	42,993	0.4	29.2
Sumitomo Tst Y	1069¼	+39½	1149½	825	13,186	0.5	ф
TSB ...†N□	211	-8	291	202½	3,228	4.9	10.5
Tokai Y	69⅞	+⅞	29	25⅞	17,619	0.6	58.0
Toyo Tst & Bk Y	618	-11¾	682	596¼	4,413	0.6	72.8
Westpac A$	207xd	-1	280	199	2,629	2.6	ф
Yasuda Tst Bk Y ...‡	618¾	+12¼	666	442	6,604	0.8	55.0

CHEMICALS

Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
AGA SKr	55½	+⅞	*£79⅞	53⅞	567.7	3.1	ф
Akzo Fl	£71⅞	+⅞	£81⅞	£65½	2,306	3.3	18.3
Allied Colloids ...q♣N□	255	-1	288	231	671.7	2.3	20.2
Amber Ind ...N	765	—	765	705	28.8	3.4	ф
BASF DM	£121⅞	-1⅞	£136½	£108⅞	7,107	3.7	–
BOC ...♣N□	700xd	-8	748	627	3,339	4.1	28.5
BTP ...♣N□	316¼	+6½	*373	301	425.0	4.0	ф
Bayer DM	£142⅞	+2⅞	£159⅞	£129⅞	9,883	3.0	–
Brent ...N□	114	-1	131	88	77.9	4.4	–
British Vita ...N□	247	-4	309	244	534.9	3.7	20.7
Cambridge Iso $ ...♣	20	+1	25	18	2.61	–	–
Canning (W) ...♣N□	155xd	—	189	153	52.4	4.9	31.3
Cassgrove ...♣N	74	—	109	74	16.3	4.7	33.4
Warrants	31	—	48	28	0.27	–	–
Courtaulds ...N□	499xd	—	590	470	1,969	3.6	39.4
Croda ...N□	342xd	—	394	327½	461.4	3.1	17.4
Doeflex ...♣N	108	—	132	108	11.4	5.3	12.2
Engelhard $	£16¾	-⅞	£20⅞	£16⅞	1,685	1.8	–
European Colour ♣N□	50xd	+2	62	35½	15.1	2.9	17.9
Gibbon Lyons ...♣t	144	—	149	140	13.1	4.5	18.3
Hickson ...♣N□	173	-12	229	173	391.4	5.8	18.7
Hoechst DM	£124⅞	+1⅛	£145⅞	£108⅞	7,983	2.7	–
Holliday Chemical ...q□	220	+1	*224	153¼	228.8	2.3	17.5
ICI ...N□	782	+6	854	728	5,609	4.5	81.6
Inspec ...□	190	—	232	178	169.8	–	–
Kalon ...♣N□	171	—	191½	148½	227.8	3.1	17.3
Laporte ...♣N□	714	-9	843	714	1,365	3.6	19.4
MTM ...♣□	70	+1	78	48	28.0	–	–
Manders ...N	351	—	405	332	130.3	3.6	18.5
McLeod Russel ...N□	113xd	+1	127	100	66.4	6.7	17.6
Metrotect Inds ...N□	105	+1	128	103	28.8	3.8	16.0
Perstorp SKr	£25⅞	-⅞	£32⅞	£22¼	128.0	1.6	31.6
Porvair ...♣N	310	—	348	265	47.7	1.7	23.3
Scapa ...♣q□	199xd	-3	272	199	404.1	3.8	15.8
Wardle Storeys ...N□	365xd	—	400	365	95.9	5.5	20.2
Wolstenholme ...♣N	600	—	666	570	51.7	3.2	17.4
Yorkshire ...♣N□	414	—	*433	390	189.2	2.4	19.6
Yule Catto ...N□	310xd	—	*396	258	308.4	2.5	23.6

DISTRIBUTORS

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Figures based on IIMR 'Headline Earnings' P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1236 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Thornton Unit Managers Ltd - Contd.

Waverley Unit Tst Mngmt Ltd (1000)F

Whittingdale Unit Tst Mngmt Ltd (0830)F

Woolwich Unit Trust Managers Ltd (1700)H

OTHER UK UNIT TRUSTS

INSURANCES

Abbey Life Assurance Co Ltd - Contd.

Century Life Plc

Friends Provident

Irish Life Assurance Co Plc - Contd.

MGM Assurance (z)

Norwich Union Life Insurance Soc. - Contd.

Prudential Individual Pension Funds

FT MANAGED FUNDS SERVICE

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Scottish Mutual Assurance plc
109 St Vincent St, Glasgow 041-248 6321

	Bid Price	Offer Price	+ or -	Yield Gross
Pen End Jan 14	1612.5	1682.4	—	—
Pen Mngd May 31	1325.5	1396.5	—	—
Safety Fund	220.8	232.5	+1.20	—
Growth Fund	220.0	231.6	-0.70	—
Opportunity Fund	213.4	224.7	-0.40	—
Worldwide Venture Fnd	173.2	184.5	+0.30	—
UK Equity Fund	225.4	237.3	-1.80	—
UK Smaller Cos. Fund	222.7	235.2	-0.7	—
European Fund	330.9	348.4	-0.20	—
Far Eastern Fnd	348.0	366.4	-0.50	—
Japanese Fnd	152.1	160.2	+0.40	—
North American Fund	227.5	239.5	-0.20	—
International Fund	264.3	268.3	—	—
Gilts & Fxd Int Fund	189.0	199.0	+1.9	—
Index-Linked Fund	172.5	181.6	+1.10	—
Property Fund	130.0	136.9	—	—
Cash Fund	172.9	181.3	—	—
Pens Safety Fnd	265.1	279.1	+1.50	—
Pens Growth Fnd	234.9	247.3	-0.50	—
Pens Opportunity Fnd	236.2	248.7	-0.40	—
Pens W'wide Venture Fnd	184.7	194.5	+0.90	—
Pens UK Equity Fnd	224.6	236.5	-1.80	—
Pens UK Smlr Co's Fnd	202.1	212.8	-0.70	—
Pens European Fnd	304.0	320.1	+0.30	—
Pens Far East Fnd	405.4	426.8	-0.20	—
Pens Japanese Fnd	150.3	158.3	+0.9	—
Pens Nth American Fnd	287.4	302.6	+0.10	—
Pens International Fnd	294.3	309.8	+0.40	—
Pens Gilts/Fxd Int Fnd	225.8	237.7	+2.60	—
Pens Index-linked Fnd	178.1	187.5	+1.10	—
Pens Property Fnd	145.1	152.8	—	—
Pens Cash Fund	213.6	224.9	—	—
Pens Halifax Fnd	228.8	240.9	-0.10	—

Scottish Provident Group
6 St Andrew Sq, Edinburgh 031-556 9252
Scottish Provident Institution Funds
Life Funds

	Bid Price	Offer Price	+ or -	Yield Gross
With-Profits	111.8	117.7	—	—
Managed	259.9	273.7	+1.0	—
Blue Chip	136.7	144.0	+0.5	—
Equity	268.7	282.9	+0.8	—
Worldwide	285.1	300.2	+1.8	—
Property	233.5	245.9	—	—
Fixed Interest	209.9	221.0	+0.5	—
Index-Linked	170.3	179.3	+0.6	—
Cash	184.6	194.4	—	—
Money Market	124.3	130.9	+1.0	—
American Performance	163.1	171.8	+0.9	—
Europe Performance	124.3	130.9	+1.5	—

[illegible]

Sun Alliance Group - Contd.

[illegible]

Sun Life Unit Assurance Ltd
St James Barton, Bristol BS99 7SL 0272 426911

[illegible]

CMI Insurance Co Ltd - Contd.

[illegible]

Century Life International Ltd

[illegible]

Scottish Provident Int'l Life Ass Ltd - Contd.

[illegible]

Sun Alliance International Life

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE INSURANCES

AXA Equity & Law Int'l Life Assce Co

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Hambros Fd Mgrs (CI) Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

Yamaichi Capital Mngt (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

Dresdner International Mngt Services Ltd

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

Capital House Fund Mgrs

[illegible]

JERSEY (REGULATED)(**)

[illegible]

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Dollar chases rumours

Wild rumours of a cut in German interest rates and concerted central bank intervention to support the dollar bounced the US currency around in narrow trading yesterday, *writes Motoko Rich.*

The dollar lifted on early morning rumours that the Bundesbank would lower the discount rate or set a lower fixed repo rate at its monthly central council meeting.

Afternoon talk of a concerted intervention effort spiked up the US currency again but the central banks did not show their hands before the close in London, where the dollar ended at DM1.6035 from DM1.6006 and Y101.150 from Y100.695.

Sterling showed signs of independence from the US currency as it turned in a stronger performance against both the D-Mark and the dollar.

■ Traders were made tentative by speculation that the Bundesbank was about to cut its discount rate or set a lower fixed repo rate. They accordingly gave the dollar a boost towards the DM1.61 level in the morning, as they awaited the results of the Bundesbank's central council meeting.

The dollar opened in New York down against the dollar after Bundesbank president Hans Tietmeyer made the ambiguous remark that "the Bundesbank is not interested in a falling dollar". Hopes for a cut in German interest rates were further squashed when Mr Tietmeyer commented on the growth of the M3 money supply. "We believe the current interest rate structure would contribute to slowing in M3 growth," he said.

The markets grew jittery in the afternoon when rumours of concerted central bank intervention circulated. But the banks stayed out of the ring again, although some said the Fed bought some dollars on behalf of the Bank of Japan.

Analysts were beginning to doubt the possibility of group action by the central banks to support the dollar. "I think we have passed the time when the grand slam intervention that the market was afraid of will be needed," said Mr Michael Feeny, economist at Sumitomo Bank. "I think the dollar is consolidating."

After the release of figures for US durable goods orders in May, commerce secretary Mr Ron Brown said the numbers were "a very good sign", indicating continued growth in the US economy with virtually nonexistent inflation.

US durable goods orders rose by 0.9 per cent, against expectations of a 0.5 per cent rise. In addition, US initial jobless claims last week were at 352,000, up from a revised 349,000 the previous week.

The markets treated the data with indifference although the figures for durable goods were better than expected. "Markets tend to react to figures either in a very positive or very negative way only if major figures go their way," said Mr Chris Dunis, economist at Chemical Bank. "Otherwise they tend to disregard the figures as not important."

■ Sterling rose steadily against the dollar and the D-Mark during the day, escaping from its recent slavish relationship to US currency trends. "There was institutional buying of pounds," said Mr Rob Loewy, economist at Midland Global Markets. "It looked like half-year squaring off. The markets took profits against the first move above $1.50."

Mr Loewy said an improvement in the UK gilt markets also helped the pound. "The markets have also focused on the government's tough talking on the rail strikes and recent indications that the government is attempting to keep public spending down," he said. "All of these things have encouraged sentiment for the dollar."

In the UK money markets, the Bank of England provided £700m assistance at established rates after forecasting a shortage of £750m. The Bank also supplied late assistance of around £40m.

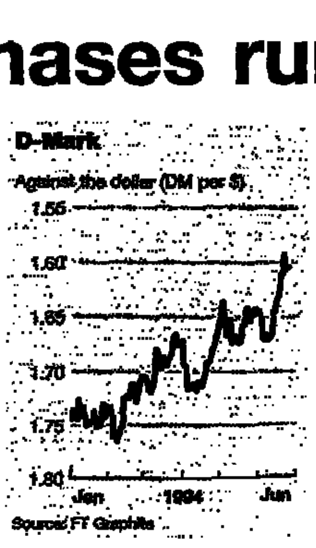
■ The Swiss franc remained stable, although slightly lower, against the dollar after the Swiss National Bank said it was not intervening to support the US currency.

At its semi-annual news conference in Zurich, Swiss National Bank president Markus Lusser said he had no difficulties with the current D-Mark/Swiss franc exchange rate. Mr Lusser also said the exchange rate was not hindering the country's economic recovery, which investors interpreted as a vote of confidence in present interest rates.

■ The European crosses were stable throughout the day, with the lira and the peseta gaining some ground against the D-Mark. The German currency finished in London at L982.6 from L983.3 and at Pta82.98 from Pta83.24. Against the Swiss franc, it closed at SFr0.842 from SFr0.841. It closed unchanged against the French franc at FFr3.422.

Bank of Portugal governor Miguel Beleza's resignation did not affect the escudo, which was unchanged at Es103.4/D-Mark.

■ In the futures market, the December short sterling contract traded 26,000 lots to settle at 93.86 from 93.74. The December Euromark contract traded 47,000 lots to close at 94.85 from 94.87.



■ **Pound in New York**

Jun 23	—Latest—	—Prev. close—
£ spot	1.5405	1.5320
1 mth	1.5396	1.5313
3 mth	1.5386	1.5300
1 yr	1.5331	1.5246

■ **OTHER CURRENCIES**

Jun 23	£	$
Hungary	157.619 - 157.922	102.600 - 102.620
Iran	2684.00 - 2691.00	1748.00 - 1752.00
Kuwait	0.4583 - 0.4571	0.2962 - 0.2976
Poland	34590.0 - 34658.0	22480.0 - 22495.0
Russia	3081.61 - 3077.20	1980.00 - 2000.00
UAE	5.6474 - 5.6585	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jun 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.3402	+0.0531	324 - 480	17.3806	17.2132	17.3364	0.3	17.3306	0.2	-	-	114.6
Belgium	(BFr)	50.8183	+0.0326	780 - 606	50.8610	50.5280	50.8093	0.2	50.8633	-0.4	50.8733	-0.1	115.8
Denmark	(DKr)	9.6927	+0.0468	868 - 005	9.7013	9.6397	9.7014	-1.0	9.7152	-0.9	9.7293	-0.4	116.0
Finland	(FM)	8.2026	+0.0294	932 - 119	8.2120	8.1410	-	-	-	-	-	-	81.2
France	(FFr)	8.4425	+0.0316	323 - 463	8.4468	8.3950	8.4457	-0.6	8.4527	-0.6	8.4449	0.0	109.0
Germany	(DM)	2.4671	+0.0092	657 - 684	2.4706	2.4548	2.467	0.0	2.4661	0.2	2.4465	0.8	124.7
Greece	(Dr)	372.888	+1.483	352 - 183	373.381	371.015	-	-	-	-	-	-	-
Ireland	(I£)	1.0173	-0.0002	161 - 185	1.0231	1.0132	1.0176	-0.4	1.0185	-0.5	1.0186	-0.2	104.7
Italy	(L)	2424.22	+7.18	290 - 554	2427.38	2408.59	2430.42	-3.1	2443.47	-3.2	2490.27	-2.7	77.0
Luxembourg	(LFr)	50.8183	+0.0325	780 - 606	50.8610	50.5280	50.8093	0.2	50.8633	-0.4	50.8733	-0.1	115.8
Netherlands	(Fl)	2.7651	+0.0113	637 - 665	2.7665	2.7470	2.7651	0.0	2.7641	0.1	2.7435	0.8	119.5
Norway	(NKr)	10.7349	+0.0537	309 - 389	10.7388	10.6421	10.7393	-0.5	10.7418	-0.3	10.733	0.0	95.0
Portugal	(Es)	255.248	+1.027	034 - 457	255.489	253.932	256.221	-4.6	258.165	-4.5	-	-	-
Spain	(Pta)	204.668	+0.039	504 - 828	204.831	203.755	205.156	-2.8	206.106	-2.8	209.266	-2.2	85.0
Sweden	(SKr)	11.8466	+0.0351	381 - 551	11.8667	11.7236	11.8656	-2.3	11.9048	-2.0	12.0026	-1.3	75.2
Switzerland	(SFr)	2.0763	+0.0079	750 - 775	2.0775	2.0646	2.075	0.6	2.0718	0.9	2.0468	1.4	120.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.9
Ecu	-	1.2862	+0.006	855 - 867	1.2874	1.2801	1.2872	-0.9	1.2836	0.8	1.2867	-0.2	-
SDR†	-	0.938702	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5361	+0.0023	347 - 355	1.5355	1.5258	-	-	-	-	-	-	-
Brazil	(Cr)	3844.51	+79.57	382 - 539	3845.80	3748.00	-	-	-	-	-	-	-
Canada	(C$)	2.1298	+0.0006	289 - 306	2.1317	2.1165	2.1321	-1.3	2.1386	-1.7	2.1705	-1.9	88.1
Mexico	(New Peso)	5.2088	+0.0225	037 - 138	5.2145	5.1740	-	-	-	-	-	-	-
USA	($)	1.5386	+0.003	382 - 389	1.5395	1.5265	1.5379	0.5	1.5367	0.5	1.5316	0.5	64.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0951	+0.0304	936 - 966	2.0972	2.0759	2.0944	0.4	2.0928	0.4	2.0919	0.2	-
Hong Kong	(HK$)	11.8930	+0.0248	895 - 965	11.8975	11.8139	11.8849	0.8	11.8811	0.4	11.9079	-0.1	-
India	(Rs)	48.2624	+0.0945	455 - 791	48.2690	47.8630	-	-	-	-	-	-	-
Japan	(Y)	155.625	+0.997	512 - 737	155.850	154.590	155.255	2.9	154.45	3.0	150.325	3.4	188.0
Malaysia	(M$)	3.9803	+0.0069	786 - 819	3.9283	3.9540	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6020	+0.0165	985 - 017	2.6027	2.5785	2.5993	0.3	2.6028	-0.4	2.6094	-0.4	-
Philippines	(Peso)	41.5410	+0.0797	228 - 591	42.0264	40.8877	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7703	+0.0111	687 - 718	5.7728	5.7328	-	-	-	-	-	-	-
Singapore	(S$)	2.3612	+0.0038	498 - 525	2.3525	2.3366	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5565	-0.05	529 - 600	5.6027	5.5286	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2774	+0.0216	603 - 944	7.2971	7.2374	-	-	-	-	-	-	-
South Korea	(Won)	1240.15	+2.61	979 - 051	1240.53	1232.28	-	-	-	-	-	-	-
Taiwan	(T$)	41.5043	+0.0949	906 - 180	41.5187	41.2443	-	-	-	-	-	-	-
Thailand	(Bt)	38.5715	+0.1354	473 - 958	38.6000	38.2940	-	-	-	-	-	-	-

†SDR rate for Jun 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.2705	+0.013	680 - 730	11.3345	11.2500	11.275	-0.5	11.283	-0.4	11.2205	0.4	103.9
Belgium	(BFr)	33.0300	+0.088	100 - 500	33.1700	32.9200	33.0525	-0.8	33.1	-0.8	33.145	-0.3	105.3
Denmark	(DKr)	6.3005	+0.0182	975 - 035	6.3223	6.2850	6.3095	-1.7	6.3285	-1.8	6.373	-1.2	104.7
Finland	(FM)	5.3314	+0.0089	265 - 362	5.3543	5.3149	5.3347	-0.7	5.3474	-1.2	5.4139	-1.5	75.9
France	(FFr)	5.4875	+0.01	865 - 885	5.5067	5.4727	5.4925	-1.1	5.5008	-1.0	5.4638	0.4	105.8
Germany	(D)	1.6036	+0.0029	030 - 040	1.6119	1.5995	1.6043	-0.6	1.6048	-0.3	1.5974	0.4	108.2
Greece	(Dr)	242.350	+0.5	200 - 500	247.800	242.000	243.7	-6.7	244.55	-3.6	248.85	-1.9	66.9
Ireland	(I£)	1.5124	+0.0031	109 - 139	1.5154	1.4980	1.5111	1.1	1.5084	1.1	1.4999	0.8	-
Italy	(L)	1575.85	+1.65	515 - 615	1580.00	1572.70	1580.4	-3.6	1590.15	-3.7	1626.15	-3.2	77.3
Luxembourg	(LFr)	33.0300	+0.088	100 - 500	33.1700	32.9200	33.0525	-0.8	33.1	-0.8	33.145	-0.3	105.3
Netherlands	(Fl)	1.7972	+0.0039	967 - 977	1.8058	1.7927	1.798	-0.6	1.7987	-0.3	1.7915	0.3	105.1
Norway	(NKr)	6.9773	+0.0216	763 - 783	7.0052	6.9540	6.9818	-0.8	6.9963	-1.1	6.8963	1.2	96.4
Portugal	(Es)	165.900	+0.35	800 - 000	166.690	165.570	167.565	-12.0	169.975	-9.8	174.25	-5.0	93.3
Spain	(Pta)	133.025	-0.23	950 - 100	133.600	132.950	133.405	-3.4	134.125	-3.3	136.65	-2.7	79.9
Sweden	(SKr)	7.6998	+0.0081	961 - 036	7.7313	7.6806	7.7179	-2.8	7.7509	-2.6	7.8989	-2.6	80.5
Switzerland	(SFr)	1.3495	+0.0025	490 - 500	1.3570	1.3460	1.3493	0.2	1.3482	0.4	1.3365	1.0	105.9
UK	(£)	1.5386	+0.003	382 - 389	1.5395	1.5282	1.5379	0.5	1.5367	0.5	1.5316	0.5	88.3
Ecu	-	1.1963	-0.0023	960 - 965	1.1969	1.1916	1.1948	1.5	1.1924	1.3	1.205	-0.7	-
SDR†	-	1.44241	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9978	-0.0004	977 - 978	0.9981	0.9977	-	-	-	-	-	-	-
Brazil	(Cr)	2498.79	+47.02	878 - 879	2498.79	2498.76	-	-	-	-	-	-	-
Canada	(C$)	1.3843	-0.0023	840 - 845	1.3861	1.3838	1.3864	-1.8	1.3919	-2.2	1.4178	-2.4	82.6
Mexico	(New Peso)	3.3855	+0.008	830 - 880	3.3880	3.3830	3.3865	-0.4	3.3883	-0.3	3.3957	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3618	+0.0172	611 - 624	1.3676	1.3576	1.3621	-0.3	1.3623	-0.1	1.366	-0.3	88.4
Hong Kong	(HK$)	7.7300	+0.0013	295 - 305	7.7305	7.7285	7.7295	0.1	7.732	-0.1	7.7482	-0.2	-
India	(Rs)	31.3688	+0.0013	650 - 725	31.3725	31.3650	31.4488	-3.1	31.5938	-2.9	-	-	-
Japan	(Y)	101.150	+0.455	100 - 200	101.610	100.770	100.955	2.3	100.505	2.6	98.14	3.0	148.7
Malaysia	(M$)	2.5870	-0.0005	865 - 875	2.5885	2.5855	2.5795	3.5	2.576	1.7	2.607	-0.8	-
New Zealand	(NZ$)	1.6897	+0.0072	892 - 902	1.6920	1.6836	1.6915	-1.3	1.6961	-1.5	1.7178	-1.7	-
Philippines	(Peso)	27.0000	-	000 - 000	27.2000	26.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 506	3.7508	3.7503	3.7511	-0.2	3.7531	-0.3	3.7658	-0.4	-
Singapore	(S$)	1.5282	-0.0005	277 - 287	1.5287	1.5277	1.5275	-0.6	1.5272	0.3	1.5292	-0.1	-
S Africa (Com.)	(R)	3.6115	-0.0395	100 - 130	3.6800	3.6080	3.627	-5.2	3.6563	-4.9	3.732	-3.3	-
S Africa (Fin.)	(R)	4.7300	+0.005	200 - 400	4.7450	4.7200	4.7637	-8.6	4.8225	-7.8	-	-	-
South Korea	(Won)	806.050	+0.15	000 - 100	806.200	806.000	809.05	-4.5	812.56	-3.2	831.05	-3.1	-
Taiwan	(T$)	26.9783	+0.01	735 - 790	26.9850	26.9735	26.9963	-0.9	27.0363	-0.9	-	-	-
Thailand	(Bt)	25.0700	+0.04	600 - 800	25.0900	25.0600	25.1425	-3.5	25.27	-3.2	25.75	-2.7	-

†SDR rate for Jun 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 22. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.08	16.61	4.854	2.001	4770	5.441	21.11	502.2	402.8	23.32	4.085	1.968	4.191	3.028	306.2	2.530
Denmark	(DKr)	52.42	10	8.710	2.545	1.049	2501	2.852	11.07	263.3	211.2	12.22	2.142	1.032	2.197	1.588	160.5	1.327
France	(FFr)	60.19	11.48	10	2.922	1.205	2871	3.275	12.71	302.3	242.4	14.04	2.459	1.184	2.523	1.823	184.3	1.523
Germany	(DM)	20.60	3.929	3.422	1	0.412	982.6	1.121	4.349	103.4	82.98	4.803	0.842	0.405	0.863	0.624	63.07	0.521
Ireland	(I£)	49.97	9.532	8.302	2.426	1	2384	2.719	10.55	250.9	201.3	11.65	2.041	0.983	2.094	1.513	153.0	1.265
Italy	(L)	2.097	0.400	0.348	0.102	0.042	100.	0.114	0.443	10.53	8.445	0.489	0.086	0.041	0.088	0.063	8.419	0.053
Netherlands	(Fl)	18.38	3.506	3.054	0.892	0.368	876.7	1	3.881	92.30	74.03	4.285	0.751	0.362	0.770	0.557	56.27	0.465
Norway	(NKr)	47.36	9.034	7.869	2.299	0.948	2259	2.577	10	237.8	190.8	11.04	1.935	0.932	1.985	1.434	145.0	1.199
Portugal	(Es)	19.91	3.799	3.308	0.967	0.399	949.8	1.083	4.205	100.	80.21	4.643	0.813	0.392	0.835	0.603	60.97	0.504
Spain	(Pta)	24.83	4.736	4.125	1.205	0.497	1184	1.351	5.242	124.7	100.	5.789	1.014	0.489	1.041	0.752	76.01	0.628
Sweden	(SKr)	42.89	8.161	7.125	2.082	0.858	2046	2.338	9.055	215.4	172.7	10	1.752	0.844	1.797	1.298	131.3	1.085
Switzerland	(SFr)	24.48	4.670	4.067	1.188	0.490	1168	1.332	5.169	122.9	98.60	5.708	1	0.482	1.026	0.741	74.95	0.619
UK	(£)	50.82	9.694	8.443	2.467	1.017	2424	2.765	10.73	255.2	204.7	11.85	2.076	1	2.130	1.539	155.6	1.286
Canada	(C$)	23.86	4.551	3.964	1.158	0.477	1138	1.298	5.038	119.8	96.10	5.563	0.975	0.469	1	0.723	73.05	0.604
US	($)	33.02	6.299	5.486	1.603	0.661	1575	1.797	6.972	165.8	133.0	7.700	1.349	0.650	1.384	1	101.1	0.836
Japan	(Y)	326.6	62.30	54.26	15.85	6.536	15578	17.77	68.96	1640	1316	76.16	13.34	6.427	13.69	9.891	1000.	8.265
Ecu		39.52	7.538	6.565	1.918	0.791	1885	2.150	8.344	198.4	159.2	9.215	1.614	0.778	1.656	1.197	121.0	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6223	0.6243	+0.0017	0.6248	0.6200	47,220	78,329
Dec	0.6215	0.6245	+0.0015	0.6245	0.6215	677	2,172
Mar	-	0.6240	-	-	-	49	710

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9989	0.9976	-0.0007	0.9980	0.9898	38,361	61,064
Dec	1.0000	1.0043	-0.0017	1.0043	0.9950	467	2,945
Mar	-	1.0132	-	-	-	23	443

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7403	0.7433	+0.0021	0.7436	0.7380	19,376	46,955
Dec	0.7440	0.7445	+0.0017	0.7447	0.7438	469	944
Mar	-	0.7448	-	-	-	2	7

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5284	1.5368	+0.0062	1.5370	1.5272	13,464	38,127
Dec	1.5330	1.5350	+0.0054	1.5350	1.5330	363	413
Mar	-	1.5320	-	-	-	1	17

EMS EUROPEAN CURRENCY UNIT RATES

Jun 23	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15675	+0.00019	-1.87	6.57	-4
Ireland	0.808628	0.793601	-0.002348	-1.86	5.56	13
Belgium	40.2123	39.6152	+0.0139	-1.48	5.16	11
Germany	1.94964	1.92378	+0.00034	-1.33	4.99	-3
France	6.53883	6.58094	+0.00324	0.64	2.94	-5
Denmark	7.43679	7.55483	+0.0052	1.59	1.98	-11
Portugal	192.854	198.951	-0.146	3.16	0.43	-21
Spain	154.250	159.804	-0.271	3.60	0.06	-25
NON ERM MEMBERS						
Greece	264.513	290.679	+0.047	9.89	-5.73	-
Italy	1793.19	1891.00	-2.11	5.45	-1.76	-
UK	0.786749	0.782061	-0.000104	-0.60	4.22	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.450	8.45	8.46	8.88	-	0.05	0.26
1.475	6.06	6.21	6.79	-	0.24	0.60
1.500	3.76	4.16	4.92	0.20	0.67	1.13
1.525	1.90	2.53	3.33	0.78	1.48	2.01
1.550	0.71	1.34	2.12	2.08	2.72	3.22
1.575	0.18	0.63	1.25	4.00	4.49	4.83

Previous day's vol., Calls 43,931 Puts 38,217 . Prev. day's open int., Calls 529,081 Puts 432,742

WORLD INTEREST RATES

MONEY RATES

June 23	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	5¾	5¼	6¼	5⅞	6	7.40	4.50	-
week ago	5¾	5¾	5⅞	5⅞	5⅞	7.40	4.50	-
France	5½	5½	5⅞	5⅞	6¼	5.30	-	6.75
week ago	5¾	5½	5½	5⅞	5¾	5.30	-	6.75
Germany	4.92	5.00	5.00	5.00	5.18	6.00	4.50	5.05
week ago	5.05	5.00	5.00	5.00	5.08	6.00	4.50	5.05
Ireland	5⅛	5⅞	5⅞	5¾	6⅛	-	-	6.25
week ago	5⅛	5⅞	5⅞	5¾	6⅛	-	-	6.25
Italy	8¼	8⅛	8¼	8¾	9	-	7.00	7.80
week ago	8⅛	8⅛	8	8⅛	8¾	-	7.00	7.80
Netherlands	4.97	5.00	5.01	5.07	5.26	-	5.25	-
week ago	5.03	5.00	5.02	5.06	5.20	-	5.25	-
Switzerland	4	4¼	4⅛	4⅞	4¾	6.625	3.50	-
week ago	4¾	4¼	4⅞	4⅛	4¾	6.625	3.50	-
US	4⅞	4¾	4⅞	4⅞	5¼	-	3.50	-
week ago	4⅛	4¾	4½	4⅞	5⅞	-	3.50	-
Japan	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅛	2½	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4⅞	4¾	5	5¾	-	-	-
week ago	-	4⅞	4⅛	4⅞	5½	-	-	-
US Dollar CDs	-	4.20	4.42	4.75	5.35	-	-	-
week ago	-	4.20	4.36	4.66	5.24	-	-	-
SDR Linked Ds	-	3½	3⅛	3¾	4	-	-	-
week ago	-	3¾	3⅛	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 6 ; 6 mths: 6⅛; 1 year: 6⅜. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅛ - 5	5⅛ - 5	5¼ - 5⅛	6½ - 5⅜	5¾ - 5⅝	6 - 5⅞
Danish Krone	5¼ - 5	5¾ - 5½	6 - 5¾	6⅛ - 5⅞	6¼ - 6	6¼ - 6
D-Mark	5 - 4⅞	4$\frac{31}{32}$ - 4$\frac{27}{32}$	5 - 4⅞	4$\frac{31}{32}$ - 4$\frac{27}{32}$	5 - 4⅞	5⅜ - 5$\frac{1}{16}$
Dutch Guilder	5 - 4$\frac{13}{16}$	5 - 4$\frac{13}{16}$	5$\frac{1}{16}$ - 5	5$\frac{1}{16}$ - 5	5$\frac{3}{16}$ - 5$\frac{1}{16}$	5¼ - 5$\frac{3}{16}$
French Franc	5$\frac{7}{16}$ - 5$\frac{5}{16}$	5$\frac{7}{16}$ - 5$\frac{5}{16}$	5½ - 5⅜	5⅝ - 5½	5¾ - 5⅝	6⅛ - 6
Portuguese Esc.	15⅞ - 15¼	16½ - 15¼	15¾ - 15¼	14 - 13½	13⅛ - 12½	12½ - 12
Spanish Peseta	7½ - 7⅜	7$\frac{11}{16}$ - 7⅝	7$\frac{11}{16}$ - 7⅝	8 - 7$\frac{13}{16}$	8$\frac{3}{16}$ - 8	8½ - 8$\frac{3}{16}$
Sterling	4¾ - 4½	4¾ - 4⅝	4$\frac{23}{32}$ - 4$\frac{19}{32}$	5$\frac{3}{16}$ - 5$\frac{1}{16}$	5½ - 5⅜	6⅛ - 6
Swiss Franc	3⅞ - 3¾	3$\frac{15}{16}$ - 3$\frac{13}{16}$	4 - 3⅞	4¼ - 4⅛	4⅜ - 4¼	4½ - 4⅜
Can. Dollar	5⅝ - 5⅜	5¾ - 5½	5$\frac{15}{16}$ - 5$\frac{13}{16}$	6⅝ - 6½	7$\frac{3}{16}$ - 7$\frac{1}{16}$	8 - 7⅞
US Dollar	4¼ - 4⅛	4⅜ - 4¼	4⅞ - 4¾	4⅝ - 4½	5 - 4⅞	5⅜ - 5¼
Italian Lira	9 - 7½	8⅛ - 7⅞	8⅛ - 7$\frac{15}{16}$	8¼ - 8⅛	8⅜ - 8¼	9 - 8⅞
Yen	2⅛ - 2$\frac{1}{16}$	2⅛ - 2$\frac{1}{16}$	2⅛ - 2$\frac{1}{16}$	2⅜ - 2⅛	2⅜ - 2¼	2⅝ - 2½
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	4$\frac{7}{16}$ - 4$\frac{5}{16}$	4¾ - 4⅝	5⅜ - 5$\frac{1}{16}$	5$\frac{13}{16}$ - 5$\frac{11}{16}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.38	94.34	+0.02	94.42	94.30	28,957	54,359
Dec	94.05	94.05	+0.07	94.11	93.01	20,241	40,650
Mar	93.70	93.72	+0.10	93.77	93.55	17,887	34,812
Jun	93.42	93.44	+0.12	93.51	93.37	8,350	25,119

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.86	94.88	+0.06	94.86	94.85	211	2309
Dec	94.15	94.16	+0.08	94.15	94.14	175	1876
Mar	93.88	93.93	+0.12	93.88	93.88	4	1056
Jun	93.60	93.64	+0.12	93.60	93.60	50	354

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.09	95.06	-0.03	95.12	95.06	31196	190833
Dec	94.90	94.85	-0.02	94.98	94.80	47101	204515
Mar	94.60	94.56	-0.01	94.64	94.51	44092	191627
Jun	94.20	94.20	+0.03	94.29	94.14	29728	104374

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.65	91.50	+0.06	91.64	91.40	10282	42564
Dec	91.25	91.20	+0.06	91.34	91.09	6497	47944
Mar	90.82	90.80	+0.10	90.91	90.70	1108	12461
Jun	90.32	90.28	+0.10	90.36	90.25	606	8784

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.64	95.67	+0.05	95.68	95.58	3761	30507
Dec	95.40	95.41	+0.04	95.45	95.35	1846	9717
Mar	95.11	95.10	+0.04	95.12	95.01	968	8773
Jun	94.70	94.70	+0.03	94.70	94.64	250	1093

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.06	94.03	+0.04	94.07	93.97	1295	11950
Dec	93.78	93.77	+0.06	93.80	93.71	771	8113
Mar	93.46	93.46	+0.07	93.50	93.40	408	3684
Jun	93.07	93.10	+0.09	93.10	93.07	45	318

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.86	94.85	+0.01	94.88	94.84	87,998	447,193
Dec	94.15	94.14	+0.01	94.16	94.12	180,958	410,393
Mar	93.86	93.88	+0.02	93.89	93.85	97,210	295,084

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	-	95.82	+0.01	-	-	629	3,147
Sep	95.29	95.29	+0.01	95.29	95.28	2,008	23,531
Dec	94.72	94.70	+0.01	94.72	94.69	308	8,327

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9500	0.11	0.13	0.17	0.18	0.05	0.07	0.11	0.33
9525	0.02	0.04	0.06	0.10	0.21	0.23	0.25	0.50
9550	0.01	0.02	0.02	0.05	0.45	0.46	0.46	0.70

Est. vol. total, Calls 6716 Puts 990. Previous day's open int., Calls 207925 Puts 198104

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9550	0.26	0.23	0.23	0.11	0.32	0.63
9575	0.14	0.13	0.14	0.22	0.47	0.79
9600	0.06	0.07	0.08	0.39	0.66	0.98

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 295 Puts 1026

UK INTEREST RATES

LONDON MONEY RATES

Jun 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅜ - 4	4$\frac{13}{16}$ - 4⅝	5 - 4$\frac{13}{16}$	5$\frac{3}{16}$ - 5$\frac{1}{16}$	5½ - 5⅜	6$\frac{3}{16}$ - 6$\frac{1}{16}$
Sterling CDs	-	-	4$\frac{29}{32}$ - 4$\frac{27}{32}$	5$\frac{3}{16}$ - 5$\frac{1}{16}$	5$\frac{5}{8}$ - 5¼	5$\frac{15}{16}$ - 5⅞
Treasury Bills	-	-	4$\frac{13}{16}$ - 4¾	4$\frac{31}{32}$ - 4$\frac{27}{32}$	-	-
Bank Bills	-	-	4$\frac{13}{16}$ - 4¾	4$\frac{31}{32}$ - 4$\frac{27}{32}$	5$\frac{7}{16}$ - 5$\frac{5}{16}$	-
Local authority deps.	5¾ - 5⅝	4$\frac{13}{16}$ - 4$\frac{11}{16}$	5 - 4$\frac{13}{16}$	5⅛ - 5$\frac{1}{16}$	5⅜ - 5$\frac{5}{16}$	6$\frac{1}{16}$ - 5$\frac{15}{16}$
Discount Market deps	5¼ - 4¼	4⅞ - 4$\frac{11}{16}$	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.8735pc. ECGD fixed rate Stg. Export Finance. Make up day May 31, 1994. Agreed rate for period Jun 26, 1994 to Jul 25, 1994, Schemes II & III 6.47pc. Reference rate for period Apr 30, 1994 to May 31, 1994, Schemes IV & V 5.222pc. Finance House Base Rate 5½pc from June 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.40	94.40	+0.06	94.42	94.37	14205	110854
Dec	93.80	93.85	+0.11	93.87	93.78	25960	153352
Mar	93.10	93.16	+0.15	93.18	93.07	10091	84611
Jun	92.45	92.52	+0.17	92.53	92.43	4101	48510

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9425	0.25	0.17	0.11	0.10	0.57	1.20
9450	0.10	0.10	0.06	0.20	0.75	1.40
9475	0.03	0.05	0.04	0.36	0.95	1.63

Est. vol. total, Calls 3226 Puts 6066. Previous day's open int., Calls 183087 Puts 170935

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 23 / Sch)

BELGIUM/LUXEMBOURG (Jun 23 / Frs.)

DENMARK (Jun 23 / Kr)

FINLAND (Jun 23 / Mks)

FRANCE (Jun 23 / Frs.)

GERMANY (Jun 23 / Dm.)

NETHERLANDS (Jun 23 / Fls.)

NORWAY (Jun 23 / Kroner)

SPAIN (Jun 23 / Pts.)

SWEDEN (Jun 23 / Kronor)

SWITZERLAND (Jun 23 / Frs.)

ITALY (Jun 23 / Lire)

PACIFIC

JAPAN (Jun 23 / Yen)

HONG KONG (Jun 23 / H.K.$)

MALAYSIA (Jun 23 / MYR)

SINGAPORE (Jun 23 / S$)

AUSTRALIA (Jun 23 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Jun 23 / Can $) 4 pm close

MONTREAL (Jun 23 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Jun 23 / Rand)

Prices supplied by Telekurs.

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Thursday, June 23, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
M'bishi Hvy	7.3m	792	+18	Toa Corp	4.4m	844	+21
Oki Electric	5.7m	796	+11	Nippon Steel	4.4m	362	+10
Kawasaki Steel	5.5m	411	+11	M'bishi Motor	4.1m	872	+11
Sagami Railway	5.2m	519	+14	Toshiba	3.8m	822	+8
Marubeni	4.5m	561	+21	Hitachi	3.7m	1040	+20

INDICES

	Jun 23	Jun 22	Jun 21	1994 High		1994 Low	
Hong Kong							
Hang Seng(31/7/64)	8866.79	8876.84	8857.78	12201.09	4/1	8389.44	4/5
India							
BSE Sens.(1979)	4257.7	4324.1	(c)	4332.80	20/6	3454.08	5/1
Indonesia							
Jakarta Comp.(10/8/82)	470.86	473.13	475.24	612.86	5/1	454.92	26/4
Ireland							
ISEQ Overall(4/1/88)	1736.43	1739.58	1741.81	2062.16	20/1	1736.43	23/6
Italy							
Banca Comm Ital (1972)	707.44	691.53	678.63	817.17	10/5	598.65	10/1
MIB General (4/1/94)	1142.0	1117.0	1098.0	1318.00	10/5	944.08	10/1
Japan							
Nikkei 225 (16/5/49)	21040.21	20581.32	20613.16	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	305.07	299.28	301.52	311.71	13/6	258.22	4/1
Topix (4/1/68)	1681.24	1648.97	1663.97	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2446.15	2407.27	2429.71	2468.60	17/6	1673.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1003.50	1015.43	1011.49	1314.46	5/1	926.33	4/4
Turkey							
Istanbul Comp.(Jan 1986)	19340.79	19703.9	20194.5	22883.80	13/1	12988.70	24/3
WORLD							
MS Capital Int (1/1/70)$	617.1*	612.9	611.1	641.00	1/2	591.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1336.98	1323.00	1303.48	1540.19	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1168.23	1156.37	1143.06	1311.01	2/2	1143.06	21/6
JCapelDrgns (31/12/88)	(u)	305.92	305.59	389.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	151.55	151.73	153.70	182.22	14/2	141.65	21/4

US INDICES

Dow Jones	Jun 22	Jun 21	Jun 20	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3724.77	3707.97	3741.90	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	98.16	98.04	98.10	105.61 (21/1)	96.43 (13/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1620.84	1616.43	1641.59	1862.29 (2/2)	1546.02 (30/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	179.80	178.42	180.65	227.86 (3/1)	177.76 (13/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3748.87 (3756.80) Low 3694.65 (3674.68) (Theoretical♠)
Day's high 3739.34 (3741.90) Low 3707.97 (3686.41) (Actual♠)

Standard and Poors	Jun 22	Jun 21	Jun 20	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	453.09	451.34	455.48	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	527.24	525.33	529.97	560.59 (2/2)	510.05 (21/4)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	45.30	45.07	45.59	48.94 (14/6)	41.39 (4/4)	48.48 (28/9/89)	8.64 (1/10/74)
NYSE Comp.	249.97	249.10	251.40	267.71 (3/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.22	431.87	436.19	487.89 (2/2)	427.60 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	712.74	708.79	718.85	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jun 17	Jun 10	Jun 3	Year ago
Dow Jones Ind. Div. Yield	2/65	2.68	2.68	2.95
	Jun 15	Jun 8	Jun 1	Year ago
S & P Ind. Div. yield	2.42	2.44	2.47	2.51
S & P Ind. P/E ratio	23.51	23.31	23.41	25.42

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	454.30	454.10	-0.30	455.25	454.05	57,432	191,188
Dec	-	456.80	-	-	-	1,408	9,716
Mar	-	460.25	-	-	-	12	1,842

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	1933.0	1934.0	+25.0	1947.0	1897.0	36,951	42,690
Jul	1929.0	1930.0	+25.0	1940.0	1897.5	2,802	12,227
Sep	1945.0	1948.0	+25.0	1953.5	1915.5	1,844	20,680

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Gen Electric	4,829,300	45¾	-⅛
RJR Nabisco	4,057,800	6	+⅛
Compaq	3,084,900	32⅞	+1
Oxy Petl	2,778,100	19¾	+⅛
Telefonos	2,671,200	56⅞	-⅜
Philip Morris	2,541,200	52⅜	+¼
Silicon	1,802,800	21¼	+2¾
Pepsi Co	1,763,400	31¾	+¼
Merck	1,795,800	30⅞	-⅛
Unico	1,840,500	18	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Jun 22	Jun 21	Jun 20
New York SE	251.017	293.687	224.254
Amex	16.732	19.577	16.074
NASDAQ	263.696	298.510	234.170
NYSE			
Issues Traded	2,815	2,837	2,815
Rises	1,262	495	492
Falls	860	1,713	1,721
Unchanged	693	629	602
New Highs	22	7	16
New Lows	65	105	90

* Sat Jun 18 : Taiwan Weighted Price (c) ; Korea Comp Ex 926.18. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Jun 23 - 2032.52 +27.50

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close June 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17 3/8	14 1/8	AAR	0.48	3.3	479	146	14 5/8	14 1/8	14 3/8	-1/8
16 7/8	13 1/4	A L Labs A	0.18	1.3	31	2	13 3/4	13 3/4	13 3/4	-1/8
67 3/8	57 3/8	AMP	1.68	2.5	23	7180	u67 3/8	65 5/8	67	-1/8
72 3/4	52 1/8	AMR			29	3987	59 1/8	57 7/8	58 3/4	+1/2
5	3 5/8	ARX			13	439	4 1/8	4	4	-1/8
59 1/8	38 5/8	ASA	2.00	4.3	30	924	46 1/4	45 3/4	46 1/8	+3/8
31 3/8	25 3/8	AbbtL	0.76	2.6	17	9400	30	29 1/4	29 1/4	-5/8
13 3/4	11 7/8	AbdAsl Pr	0.50	4.2	8	3	12	12	12	-1/8
23 5/8	17 3/4	ABM Ind	0.52	2.4		111	22 1/2	21 5/8	21 5/8	-1 1/8
13 3/4	11 1/8	Acpincpln			24	52	13 3/4	13 1/8	13 1/8	-1/4
31	24 3/8	ACE Ltd	0.44	1.8	3	802	24 1/2	d23 7/8	24	-1/2
12 1/2	10 1/8	ACM Gvt In	1.08	9.8		642	11 3/8	11 1/8	11 1/8	-1/8
10 1/8	7 7/8	ACM GvOpp	0.80	9.5		11	8 3/8	8 1/4	8 3/8	
10 5/8	8 3/8	ACM Gvt Sp	0.96	11.3		277	8 5/8	8 1/2	8 1/2	
12	9 1/8	ACM Gvt Se	1.09	10.9		251	10 1/8	10	10	

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close June 23

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		Continued from previous page								
27	19¾	Safeway			24	1206	24¾	24⅛	24⅛	-⅝
6⅞	4⅞	SafewayW95				12	5¾	5¾	5¾	
57⅞	50½	StJoePaper x	0.20	0.4	279	22	53½	53	53⅛	+¼
30¼	26½	StJosL&P	1.80	6.6	13	73	27½	27¼	27⅜	-⅛
45	37¾	StPaul	1.50	3.8	4	2252	39⅝	38¾	39⅝	+¼
9⅞	6⅛	Salant Crp			8	30	6⅝	6½	6⅝	
49⅞	37¼	Sallie Mae	1.40	3.7	7	5130	38⅝	38	38	-⅝
13⅞	11⅞	Salomon Br	0.28	2.3		498	12⅝	12⅜	12⅜	-⅛
52¾	44¾	Salomn x	0.64	1.3	6	1692	50	49½	49⅝	+⅛
25	17⅝	SnDgBE	1.52	8.4	8	2157	18⅛	17⅞	18⅛	
10	7½	SantaFeERs	0.16	1.7	9	556	9⅝	9½	9⅝	-⅛
15¼	14⅝	SFeGd				6080	15	14⅝	14⅝	-¼
40	34½	SantaFePac	2.80	8.4	15	237	34½	d33⅞	33½	-1⅛
26¼	19¾	SanFeP	0.10	0.5	11	10094	21⅝	21	21⅛	-⅝
26	20⅛	SaraLee	0.64	3.0	14	6593	22	21⅝	21⅝	-¼
50⅛	42¼	Scana Corp	2.82	6.6	11	247	43½	43	43	-⅜
20½	13½	Scecrp	1.00	7.3	9	10256	13¾	13⅝	13⅝	
40½	33⅝	SchererRP			25	555	34⅜	d33½	33½	-1
68⅞	54½	SchrPl	2.04	3.4	14	10061	62⅜	60¾	60⅞	-2
61½	50¾	Schlmb	1.20	2.0	25	7804	60⅞	60	60⅛	-⅞
33⅞	25¼	Schwab(C)	0.28	1.1	12	3126	27	26⅛	26¼	-⅝
10¾	6⅛	Schwitzer			21	42	7⅜	7¼	7⅜	-⅛
38⅜	24⅞	SciAtl	0.12	0.4	66	2212	34½	34⅛	34¼	
16⅞	13⅛	Scotman	0.10	0.7	13	61	14⅜	14⅛	14⅛	-¼
53¾	37¼	ScottP	0.80	1.5	13	3882	52¾	51⅝	52	-⅞
28⅝	18⅝	ScuddrNAsF	0.21	0.9		125	23	22⅛	22⅛	-⅞
12⅝	9⅝	ScuddrNEuF	0.16	1.6		142	10	9⅞	10	
18¾	13½	SeaCnB	0.70	4.5	7	4	15½	15½	15½	-¼
16½	15	SeaC1.4625	1.46	9.7		5	15⅛	15⅛	15⅛	-⅜
32	26¼	Seagrm x	0.56	1.9	38	4918	30½	29¾	29¾	-½
29¾	23	Seagull En			35	610	27⅜	26⅝	26¾	-½
31⅝	26⅝	Sealed Air			21	47	28¼	28	28	
55⅛	42⅛	SearsR	1.60	3.5	7	10298	46¼	45⅞	46⅛	-2
13⅜	11¼	Seligm Sel x	0.84	6.7		41	12⅝	12½	12½	-⅛
30¼	26	Sensormat	0.22	0.7	31	2703	30⅜	29¾	30¼	-¼

NASDAQ NATIONAL MARKET

4 pm close June 23

AMEX COMPOSITE PRICES

4 pm close June 23

AMERICA

Equities sag after bonds drift down

Wall Street

US share prices sagged late yesterday morning in an uninspired session which belatedly tracked a downward drift by bonds, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 9.51 lower at 3,715.26, while the more broadly based Standard & Poor's 500 was down 1.60 at 451.49.

In the secondary markets, the American SE composite dipped 0.77 to 432.45, but the Nasdaq composite suffered its third big setback in four sessions, dropping 6.78 to 705.96.

With relative calm returning to the foreign exchange markets, equity investors attempted to build on Wednesday's 17 point advance. The dollar was helpful, climbing above Y101 on speculation that central banks were preparing to intervene to support the US currency. The rescue mission did not materialise but the dollar held firm nevertheless.

Bonds were supported early in the day by developments in the foreign exchange markets. The day's economic news was not uniformly positive but neither did it seem to present any obstacles.

The Commerce Department said that orders of durable goods had risen by 0.9 per cent in May, against expectations of a 0.4 per cent gain, but most of the overall increase came from a rise in aircraft orders.

Meanwhile, the Labor Department reported a gain of 3,000 in claims for unemployment benefit last week, while economists had expected a slight drop.

Both sets of data pointed to a moderating growth rate which, on balance, is positive for equity investors hoping that the Federal Reserve will delay its next move to lift interest rates until late summer.

Still, stocks appeared to be in a holding pattern, with the activity in bonds or currencies, and the fresh economic data, failing to generate either excitement or disappointment. The blue chips were showing moderate gains by midmorning, but tailed off as the afternoon began, mirroring a slow, steady erosion in the bond market.

Cyclical issues were mixed. Paccar, a heavy-duty truck-maker, gained $1¼ to $45½ but Eaton, a supplier of motor vehicle components, dropped $1⅜ to $52⅝. Bargain hunters gave Caterpillar a lift after two losing sessions. Its share price, hit hard by jitters over a strike by union workers, gained $1¼ to $103⅝.

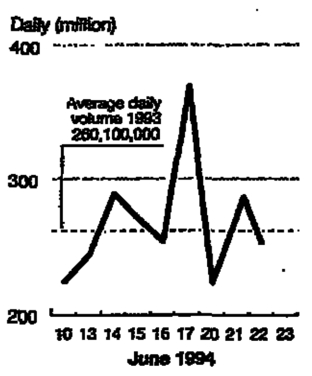
With a takeover battle for Kemper suddenly taking shape, the insurance concern's share price jumped $4⅞ to $63⅞, a new 52-week high. The trading followed a bid by Conseco to buy the company for $67 a share in cash and stock, compared with a $60-a-share cash offer by GE Capital, a General Electric subsidiary.

Investors were uncertain which of the suitors had the upper hand, and so the share prices of both appreciated. GE climbed $1¼ in very heavy volume of nearly 3m shares, while Conseco was marked up $1⅜ to $52⅝.

Eastman Kodak gained $1 to $47⅞ after Sanofi, a French pharmaceutical group, agreed to buy the prescription drug activities of its Sterling-Winthrop division.

After a one-day respite, the sell-off in the technology sector resumed. On the Nasdaq, Lotus Development dropped $2⅜ to $33⅞, Wellfleet gave back $2⅞ to $20⅞ and Microsoft receded $⅞ to $50⅝.

NYSE volume



Canada

Toronto stocks were slightly better at noon as the Canadian dollar and bonds strengthened. The TSE 300 composite index was up 6.85 at 4,059.03 in volume of 27.38m shares.

Declines led advances by 269 to 250 with 261 issues unchanged. Toronto's 14 sub-indices were evenly split, with gains in precious metals and property offsetting losses in oil and gas and communications.

The gold sub-index was 42.65 higher at 9,924.76 as London gold fixed at US$390.10 per ounce, up from US$389 earlier in the day. Franco-Nevada rose C$⅝ to C$74⅝.

Hollinger fell C$2 to C$14⅝ on news that the London Stock Exchange was investigating a 34 per cent fall in the shares of its UK newspaper subsidiary, Telegraph plc, after the company cut the price of the Daily Telegraph.

Brazil

São Paulo was up 2.2 per cent in local currency terms in thin mid-morning volume. Traders expected the market to be flat to firmer in the immediate short term, saying that the market was lifted by ongoing optimism over the introduction of the new currency on July 1.

The Bovespa index rose 693 to 32,679 in low turnover of about Cr125.5bn ($50.2m).

EUROPE

Bourse recovery, but dollar fears revive

The dollar had a better day in Europe but renewed US fears of currency weakness, after continental market hours, sent brokers pensively home, *writes Our Markets Staff.*

FRANKFURT tried to move on the news, or the absence of it, retreating from its highs after the Bundesbank announced that it would leave key interest rates unchanged for at least the next two weeks. The Dax index rose 27.68 to 2,022.10 on the session after a high of 2,038.54.

In the afternoon the bund future reacted by *half a point* after its earlier gains, said Mr Jens Wiecking at Merck Finck in Düsseldorf; equities followed suit, falling then recovering to end the day at 2,032.52.

Turnover rose from DM8.5bn to DM9.2bn. Deutsche Bank lost ground in the post bourse, ending at DM684.50 after a rise of just DM1.50 to DM688 on the session on exposure to debt markets, property scandals and recent talk of management changes.

Merck Finck was not looking for a sustained equities recovery. "As the most important bond investors are still heavily over-invested", it said this week, "they will be inclined to use any recovery to reduce or unwind lossmaking bond positions. As a consequence, the recovery potential for German bonds will be dampened in the weeks ahead, so that equities should not expect much support from this side."

PARIS saw the CAC-40 index dip to 1,908.32 in reaction to the Buba news before regaining its confidence once again to close the session, and the account, at 1,939.02, up 21.98 or 1.1 per cent.

Eurotunnel ended 30 centimes down at FFr24.70 as the takeup of *the UK side of the* rights issue came in above expectations, and the bourse authorities said that it had opened an official enquiry into the movement of the shares prior to the issue coming to the market. The result of the French side of the issue is expected early next month, and the takeup level is forecast to exceed that in the UK.

Euro Disney was one of the day's losers, off FFr1.50 at FFr16.

MILAN held on to early gains, although it remained cautious in the absence of clear government action to tackle the budget deficit.

The Comit index rose 15.81, or 2.3 per cent to 707.44; but there was concern that further profit-taking could emerge at around the 710 point level. In contrast, the real-time Mibtel index finished 45 higher at 11,190, after a day's peak of 11,331.

The insurance sector remained under pressure ahead of Monday's public offering and private placement of 51 per cent of Ina, the state insurer. Generali slipped L150 to L42,100, Fondiaria dropped L430 to L13,230 and Ras lost L300 to L25,500.

The new shares of Mondadori, the publisher, finished at L15,480 as they made their debut, compared with an opening L15,260 quote and the L15,000 offer price. The old shares, which have dividend rights and are quoted separately, rose L684 to L15,984.

MADRID reacted to early strength on Wall Street, Iberdrola, Repsol and Telefónica accounting for some 40 per cent of the day's Pta29bn turnover as they rose Pta29 to Pta979, Pta135 to Pta3,995 and Pta35 to Pta775 respectively.

However, the outstanding gain, given the recent unpopularity of banks on poor bond market trading experience, was a Pta500, or 4.8 per cent rise to Pta11,000 for Bankinter, picked out with Banco Popular this week by Mr Bryan Crossley at Hoare Govett for their "almost irresistible combination of high rates of profitability, strong balance sheets and low market ratings."

AMSTERDAM made a hesitant recovery assisted by *strength in the bond markets,* helping the AEX index to a day's gain of 4.64 or 1.2 per cent to 387.38.

One of the day's best performers was Nutricia, the food group. There were reports, which the Dutch company denied, that Unigate of the UK might be considering the sale of its stake to Heinz of the US. Nutricia's shares added Fl 3.40 to Fl 84.00.

ZURICH continued higher in response to firmer bond futures, but the SMI index edged back from 2,641.1, its best level of the day, to finish 31.0 ahead at 2,628.7.

Banks and insurers continued to lead after their recent long slide. UBS bearers rose SFr37 to SFr1,147 and Zurich Insurance gained SFr34 to SFr1,330.

The weak dollar, however, continued to dampen the performance of industrials. Nestlé added just SFr5 to SFr1,115 while Ciba lost SFr3 to SFr709.

OSLO recovered after recent weakness, underpinned by lower debt market yields. The all-share index rose 10.19 or 1.8 per cent to 577.58 in turnover of NKr365m.

Shipping and industrial stocks led the advance. Elkem A shares gained NKr7 to NKr93 as a wage agreement averted the threat of industrial action *at two of its aluminium plants.* Norsk Hydro, benefiting from higher aluminium and oil prices, added NKr4 to NKr214.

TEL AVIV rose 2.75 per cent, supported by aggressive buying by portfolio managers. The Mishtanim index finished 4.63 ahead at 173.17 in low turnover of Shk132m, but it was still 3.1 per cent down on the week.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Jun 23 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1341.31	1342.88	1345.17	1345.69	1339.71	1334.20	1335.78	1335.85
FT-SE Eurotrack 200	1371.83	1373.20	1375.85	1376.72	1369.89	1363.98	1365.72	1365.22

	Jun 22	Jun 21	Jun 20	Jun 17	Jun 16
FT-SE Eurotrack 100	1323.00	1303.48	1306.43	1300.34	1303.76
FT-SE Eurotrack 200	1357.37	1345.33	1351.80	1339.87	1350.07

Base 1000 (26/10/90) Highday: 100 - 1346.42; 200 - 1377.00 Lowday: 100 - 1332.85 200 - 1362.30

Warsaw equities fall 2.6%

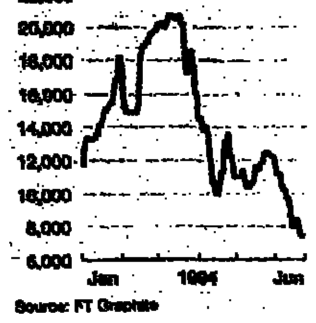
By Christopher Bobinski in Warsaw

Poland's privatisation ministry announced yesterday that it would be lowering the minimum share offer price for Rolimpex, a state-owned farm products trader, as the country's stock market tumble hit privatisation revenues and new share issues.

Warsaw's equity market fell a further 2.6 per cent yesterday in heavy volume, bringing its drop on the week to 14 per cent.

The government was originally planning to offer half of the shares in Rolimpex at a minimum of 300,000 zlotys per share, which would have valued the company on a price/earnings ratio of 14, a premium to the current multiple of 11 for the bourse.

Poland



Source: FT Graphite

Mr Andrzej Gruszka, a government official, said the minimum price would certainly be lowered by the time the offer opened on July 4.

Meanwhile, Elektrim, the power energy and telecommunications equipment specialist which has a rights issue on offer, faces having to turn to the underwriters as the slide on the bourse has left the rights price, of 1.2m zlotys, far above the current share price of 785,000 zlotys.

Polifarb Cieszyn, the paint producer, and Okocim, a brewery, which are both listed on the stock exchange, have also been forced to place the majority of their rights issues with underwriters.

ASIA PACIFIC

Nikkei up 2.2% as region remains cautious

Tokyo

The easing of the yen against the dollar and the parliamentary approval of this year's budget encouraged sentiment. The Nikkei 225 average jumped 2.2 per cent, topping the 21,000 level for the first time in three days, *writes Emiko Terazono in Tokyo.*

The index gained 458.89 at 21,040.21 after a day's low of 20,637.43 and high of 21,068.01, recouping part of a 4.2 per cent fall seen during the previous three days. Arbitrage buying and purchases by financial institutions pushed shares higher, absorbing a steady flow of selling by arbitrageurs closing their positions.

Investors welcomed the decline in the yen from its record high against the dollar, and comments from US and Japanese authorities aiming to halt the volatility. The long-awaited passage of the budget for the current year also boosted investor confidence. Construction shares gained support on expectations of new public works spending.

Meanwhile, comments by the Socialist party, which had split from the coalition last April, hinting that it might rejoin the government, also heightened hopes that a general election this summer could be averted. The opposition Liberal Democratic party proposed a vote of no confidence yesterday against the current administration, but this cannot be passed unless the Socialist party co-operates.

The Topix index of all first section stocks climbed 32.27 to 1,681.24 and the Nikkei 300 rose 6.79 to 306.07. Gains outscored declines by 991 to 107, with 101 issues unchanged. But in London the ISE/Nikkei 50 index eased 1.28 to 1,369.44.

Volume totalled 390.8m shares, against 495m. Newly established investment funds were also buyers, but some investors remained inactive due to continued nervousness in the currency market.

Domestic investors were buying blue chip manufacturers, including steels and shipbuilders. Mitsubishi Heavy was the most active issue of the day, rising Y18 to Y792, and Kawasaki Steel put on Y11 at Y411.

Mitsubishi Oil, which rose earlier in the week on reports that the company had discovered oil in Vietnam, eased Y10 to Y1,040 on profit-taking.

High-technology issues, which have been battered by the recent surge in the yen, rebounded. Hitachi rallied Y20 to Y1,040 and Sony Y50 to Y6,120. Automobile companies were also higher, with Mitsubishi Motors up Y11 to Y972.

In Osaka, the OSE average advanced 362.38 to 23,321.57 in volume of 37.4m shares.

Roundup

Activity was thin in all major Asian markets, concern on the US interest rates making investors cautious.

HONG KONG closed higher on the firmer US dollar, the Hang Seng index improving 89.95 to 8,966.79. Turnover was light at HK$2.81bn.

Hopes of agreement in Sino-British negotiations on financing of the new Hong Kong airport helped the market; overseas investors were cautious, awaiting direction on US interest rates.

Asia Securities soared 14.3 per cent to HK$2.40 on speculation that the stock exchange might grant the company a waiver from the rules demanding that at least 25 per cent of its shares be held by the public.

KUALA LUMPUR closed lower as election rumours died. The KLSE composite index slid 11.93 to 1,003.50 in volume of 160m shares.

SYDNEY was volatile on a nervous bond market and a weak Australian dollar, the All Ordinaries index finishing 11.6 better at 2,022.5 but off the day's high of 2,034.2. Turnover was A$579.0m.

WELLINGTON saw signs of recovery in good volume. Turnover was quite high at NZ$55m, and forestry stocks were the main beneficiaries as the NZSE-40 index moved forward 30.49, or 1.5 per cent, to 2,060.1.

JAKARTA drifted lower in thin volume which shrank to only 7.4m shares worth Rp38.6bn. The official index was finally 2.17 down at 470.96.

BOMBAY's 30-Share index fell 66.42 to 4,257.2. The market leader, Associated Cement, reported a 12 per cent drop in profits and the shares receded Rs140 to Rs4,100.

MANILA closed firmer for the second day in succession after a nine-day fall, the composite index gaining 6.20 at 2,822.15. *PLDT* continued to rise, closing five pesos better at 1,700, but overall volume fell sharply to 654.3m shares, from 1.15bn on the day before.

KARACHI stocks ended easier in trade thinned by a threatened "strike" by business *and industry this week* against higher taxes in the budget. The KSE 100-share index dipped 8.0 to 2,342.69.

S Africa fails to find spur

Johannesburg was mixed as the generally improved mood following Wednesday's national budget was countered by a lower gold bullion price.

Trading was slow, as the *package failed to spur a hoped-*for recovery in demand, particularly by foreign investors.

A stronger rand hampered export-oriented companies, especially gold mining issues, after bullion's softer showing undermined prices in the sector. The overall index finished 17 softer at 5,688, industrials firmed 4 to 6,586 and golds lost 21 at 2,222.

De Beers retrieved an early fall *to end unchanged at* R113.75. Anglos shed 50 cents to R238 and JCI R1 to R105.

Iscor collected 5 cents at R3.63, adding to its 9-cent advance registered on Wednesday. SAB was steady at R91.

Solidere at 11% premium

Shares in Solidere, the $1.8bn Lebanese company created to develop central Beirut, opened the first day of trading yesterday at $111, an 11 per cent premium to the issue price, writes Mark Nicholson in Cairo.

The secondary market in Solidere stock, which will be the foundation of a revived Beirut bourse, opened under the auspices of the Société Financière du Liban, owned by Lebanon's commercial banks.

The Solidere price was agreed at a morning fix, under a trading system developed by Andersen Consultants.

Around 100 shares were traded as investors tested the market.

A second daily price fix will be introduced on Monday and a third soon thereafter. Trading is currently limited to "B" shares, which were issued in an offer to Arab investors late last year. Trade in "A" shares, which Solidere exchanged for titles to land in central Beirut, will open only once the final allocation has been decided – a process still undergoing a judicial review.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JUNE 22 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JUNE 21 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	171.15	1.3	165.24	108.94	142.42	153.04	1.3	3.60	168.91	162.88	108.08	140.59	161.13	168.15	130.19	134.76
Austria (17)	179.16	-0.1	172.97	114.04	149.09	148.98	-0.1	1.07	179.32	172.92	114.74	149.25	149.16	195.41	142.90	148.20
Belgium (37)	164.66	-0.8	158.97	104.81	137.02	133.77	-0.8	4.13	165.90	159.97	106.15	138.08	134.84	178.67	142.02	142.02
Canada (106)	123.54	0.3	119.27	78.63	102.80	124.04	0.1	2.73	123.22	118.82	78.84	102.55	123.90	145.31	121.46	129.83
Denmark (33)	252.76	0.2	244.03	160.88	210.33	215.97	0.1	1.36	252.31	243.29	161.44	209.99	215.76	275.79	207.58	214.42
Finland (24)	140.49	0.4	135.64	89.42	116.91	158.93	0.3	0.91	139.98	134.98	89.57	116.50	158.51	168.72	85.54	87.25
France (97)	162.34	1.0	156.73	103.33	135.09	139.48	1.1	3.22	160.75	155.00	102.85	133.79	137.97	185.37	149.60	151.16
Germany (58)	133.53	0.6	128.92	84.99	111.12	111.12	0.6	1.86	132.72	127.97	84.92	110.48	110.48	147.07	107.59	109.23
Hong Kong (56)	361.98	0.2	349.48	230.40	301.22	359.18	0.2	3.30	361.15	348.25	231.09	300.59	358.33	506.56	271.42	285.68
Ireland (14)	185.72	0.0	179.30	118.21	154.54	173.39	0.2	3.62	185.71	179.07	118.83	154.57	173.12	209.33	155.93	158.07
Italy (60)	83.49	2.5	80.61	53.14	69.48	98.14	2.1	1.61	81.45	78.54	52.12	67.79	96.16	97.78	57.88	69.62
Japan (469)	163.57	-0.3	157.92	104.11	136.11	104.11	-0.9	0.74	164.14	158.28	105.03	136.61	105.03	166.34	124.54	138.60
Malaysia (98)	481.63	1.7	465.00	306.56	400.79	479.96	1.4	1.70	473.72	456.80	303.12	394.28	473.45	621.63	312.51	330.68
Mexico (18)	1918.43	-1.2	1852.18	1221.09	1596.38	7084.33	-1.0	1.10	1941.52	1872.15	1242.29	1615.90	7158.99	2647.08	1481.08	1514.18
Netherland (27)	196.96	1.2	190.16	125.37	163.90	161.21	1.2	3.52	194.56	187.62	124.49	161.94	159.36	207.43	164.22	166.16
New Zealand (14)	66.90	-0.8	64.59	42.59	55.68	59.77	-0.7	4.00	67.45	65.05	43.16	56.14	60.16	77.59	48.80	49.11
Norway (23)	180.29	1.6	174.06	114.75	150.02	170.21	1.5	1.94	177.53	171.19	113.59	147.76	167.72	206.42	150.61	152.13
Singapore (44)	337.47	-0.3	325.82	214.80	280.82	237.74	-0.3	1.78	338.65	326.55	216.69	281.86	238.57	378.82	242.46	243.14
South Africa (59)	283.37	0.0	273.58	180.37	235.80	292.65	-0.3	2.16	283.42	273.30	181.35	235.89	293.63	284.68	175.93	193.09
Spain (42)	135.69	1.5	131.00	86.37	112.91	136.98	1.4	4.22	133.65	128.88	85.52	111.24	135.04	155.79	116.33	128.90
Sweden (36)	204.38	0.5	197.32	130.09	170.07	232.72	0.3	1.72	203.35	196.09	130.12	169.25	232.00	231.35	163.85	169.41
Switzerland (47)	158.19	2.0	152.72	100.69	131.63	132.10	1.8	1.84	155.05	149.51	99.21	129.05	129.72	176.56	124.46	125.02
United Kingdom (205)	185.52	0.5	179.11	118.09	154.38	179.11	0.6	4.20	184.56	177.99	118.11	153.63	177.99	214.96	170.32	174.43
USA (519)	184.74	0.4	178.36	117.59	153.73	184.74	0.4	2.90	184.04	177.47	117.76	153.18	184.04	198.04	178.95	182.14
EUROPE (720)	162.01	0.9	156.42	103.12	134.81	147.77	0.9	3.16	160.59	154.85	102.75	133.65	146.48	178.56	141.58	142.79
Nordic (116)	198.63	0.5	191.77	126.43	165.29	195.36	0.3	1.53	197.70	190.64	126.50	164.54	194.71	220.60	155.82	159.77
Pacific Basin (750)	170.88	-0.2	164.98	108.77	142.20	113.55	-0.7	1.08	171.20	165.09	109.55	142.49	114.29	173.75	134.79	142.85
Euro-Pacific (1470)	167.02	0.2	161.25	106.31	138.98	127.57	0.0	1.91	166.61	160.66	106.61	138.67	127.60	170.78	142.78	142.78
North America (625)	180.95	0.4	174.70	115.17	150.57	180.60	0.4	2.89	180.27	173.83	115.35	150.04	179.93	192.73	175.67	178.89
Europe Ex. UK (515)	145.73	1.1	140.70	92.76	121.27	128.61	1.0	2.53	144.12	138.97	92.22	119.95	127.49	157.47	122.27	123.29
Pacific Ex. Japan (281)	244.30	0.7	235.87	155.60	203.30	218.38	0.7	3.53	242.51	233.85	155.18	201.65	216.88	295.21	182.38	185.77
World Ex. US (1667)	167.36	0.2	162.16	106.91	139.76	130.64	0.0	1.93	167.59	161.60	107.23	138.48	130.90	172.51	143.03	143.69
World Ex. UK (1967)	171.25	0.3	165.33	109.02	142.62	144.39	0.1	2.02	170.81	164.71	109.28	142.16	144.32	175.58	153.79	153.79
World Ex. So. Af. (2113)	171.84	0.3	165.90	109.36	142.99	146.05	0.1	2.27	171.36	165.23	109.64	142.62	145.40	178.56	156.46	155.46
World Ex. Japan (1703)	178.87	0.6	173.36	114.30	149.42	172.39	0.5	2.96	178.00	172.18	114.25	148.61	171.45	195.20	165.72	169.37
The World Index (2172)	172.53	0.3	166.57	109.81	143.59	147.63	0.1	2.27	172.05	165.90	110.09	143.13	147.48	178.97	155.62	156.62

Bad loans have caused headaches for the state banking sector: Page IV

FINANCIAL TIMES SURVEY

INDONESIA

Friday June 24 1994

Jakarta, on the north west coast of Java, is Indonesia's capital and largest city — Picture: Patrick Lucero

The island province of Bali, east of Java, is regarded as paradise by many tourists — Picture: Philippe Lenotre

Looking beyond Suharto's era

Indonesia is a stable country with a steadily-growing economy. Uncertainty, however, now surrounds the succession, as **Manuela Saragosa** reports.

With President Suharto at the helm of power over the past 27 years, stability has been the predominant characteristic of Indonesian politics and economics.

Now in his sixth term as president, however, Mr Suharto is giving increasingly frequent hints that he plans to make this term his last as head of state – although he remains as reluctant as ever to name a successor.

Like the traditional *wayang*, a theatrical performance where shadow images are held in front of back-lit screens, Indonesian politics is not *transparent and nothing is* clear-cut. It is difficult to gauge Mr Suharto's intentions, as it is certainly not the first time since he took power that he has hinted that he may step down.

And yet Indonesians are attaching more significance now to suggestions that he is planning an exit than they have done in the past. Mr Suharto will be 77 when his term ends in 1998 and there are signs that the jockeying for power has already begun.

The uncertainty is making some investors jittery. Perhaps in recognition of this, during the last year Mr Suharto has opened the doors just a little to demands for increased political *openness, although direct* criticism of his family's wide-ranging business interests and monopolies remains off limits in the domestic press.

It will require some skill to balance stability with openness.

Indonesia is a huge country. Its 13,000 islands extend 5,000 km from one end to the other and its 187 million inhabitants include hundreds of different ethnic groupings and make it the fourth most heavily populated country in the world.

The labour riots in the northern Sumatran town of Medan earlier this year, where demonstrators ran amok, protesting against their ethnic Chinese employers' unwillingness to adhere to a 46 per cent increase in the minimum wage, reminded many people of how things can go wrong.

The ethnic Chinese are estimated to control some three quarters of Indonesian *private capital – although they* make up only a tiny 2 per cent of the country's population – and they are resented on this account.

Indonesia's ethnic Chinese, after years of being criticised for dominating local businesses, are now being scorned for investing in China instead of Indonesia, although much of the money channelled to projects in China is already held offshore in Hong Kong or Singapore.

That criticism comes after domestic and foreign investment declined last year amid stiff competition for foreign funds in neighbouring Asian countries. According to Mr Hartarto, the co-ordinating minister for trade and industry, deregulation of the economy has taken on a sense of urgency.

"We have to change," he says.

Change is taking place. In June this year a radical deregulation package for foreign investment was *introduced and a trade* deregulation package will follow.

The government has said it needs $300bn to meet its investment requirements, both domestic and foreign, for its new five-year development plan – the sixth of its kind.

More than two-thirds of that total will have to come from the private sector. An increase in investment is also needed to maintain the momentum of growth in the economy – growth which has averaged 6 per cent a year over the past 25 years.

The latest deregulation package comes on the heels of one of the biggest corruption scandals in Indonesia's history since independence, as the drive for political openness prompted Mr Mar'ie Muhammad, the minister of finance in President Suharto's cabinet, to expose the extent of bad loans at state banks.

The Bapindo banking scandal, which involved an ethnic Chinese businessman defaulting on loans received on recommendations made by former cabinet ministers, did little to help investors' confidence in the country – although the revelations have highlighted Mr Muhammad's commitment to cleaning up the state banking sector.

None the less, this corruption case is symbolic of the problems that beset the Indonesian economy.

Foreign investors say they must struggle against a stubborn bureaucracy and against corruption. These handicaps have earned Indonesia a reputation for having some of the highest hidden business costs in Asia.

Government officials do not deny that there is a problem, but they promise that deregulation packages, scheduled to appear in the near future, will deal with it.

Another economic policy issue is the debate hotting up in the Indonesian government between "technocrats" and "technologists".

Technocrats, who have steered Indonesia's economy down a path of export-led growth, are constantly battling with technologists, who are led by the country's enthusiastic minister for research and technology, Mr B J Habibie.

Technocrats want to maintain austere budgetary policies after the budget deficit *widened significantly last year.* Technologists want the state to pump billions of dollars into heavy industry projects – such as, for example, aircraft manufacturing – which critics say are not making adequate commercial returns.

At the same time, there is growing concern that the benefits of export-led economic growth are not filtering down to the country's poor, an argument sometimes used to thwart attempts at deregulating the economy.

President Suharto, the self-proclaimed "father of development", is credited with greatly reducing levels of poverty since he came to power. Yet discrepancies in wealth in the cities, and the gap in average income between the more prosperous islands of Java and Bali and the out-lying islands, is of growing importance to many government ministers.

This concern, together with nationalists' fears that an open economy will lead to too much foreign domination, could be forceful enough to limit further *deregulation measures. The* latest foreign investment deregulation package was well-received in the business community, but an attempt to deregulate the media sector was immediately squashed after outcries from nationalist quarters.

The non-oil export sector, however, needs the deregulation in order to diversify and become less sensitive to swings in world demand and prices. Last year the non-oil export sector showed a slowdown in growth.

There is a sense of urgency about this, because Indonesia's economy is burdened with growing private and public foreign debt.

Exacerbated by the recent weakness of the US dollar, the country's foreign debt is now estimated to be between $90bn and $100bn. In the meantime, economists question whether the borrowed money is being used productively to generate the exports needed to pay it off.

It is against this background that ministers are positioning themselves in case President Suharto does decide to make *this term in office his last.* There are many who aspire to his position, but few who are likely to meet the stringent requirements.

First, if Mr Suharto's successor is to survive, he *must be accepted and approved* by the military.

Second, it is impossible to imagine the world's largest Moslem country under the leadership of anyone but a Moslem.

Third, he must be someone accepted in the international community, especially in the Association of South East Asian Nations (Asean) in which Indonesia is a very active member.

Because President Suharto is unwilling to prompt any premature power struggles, he is unlikely to hand out any clues.

A growth economy faces some serious challenges, writes **Manuela Saragosa**

Protectionism does not help

While the international community is full of praise for the Indonesian government's consistency in sustaining average annual economic growth of 6 per cent over the past 25 years, the cabinet's economic team, which took over the reins of power in April 1993, faces some serious challenges.

In order to maintain this momentum, the government estimates that it will need $305bn in its new five-year development plan, Repelita VI. Some 73 per cent of that must come from the private sector. It is needed to maintain the country's growth momentum.

The economic team must tackle jealously guarded protectionist measures in some sectors, together with growing concern among some high-ranking officials that deregulation does little to alleviate the level of poverty.

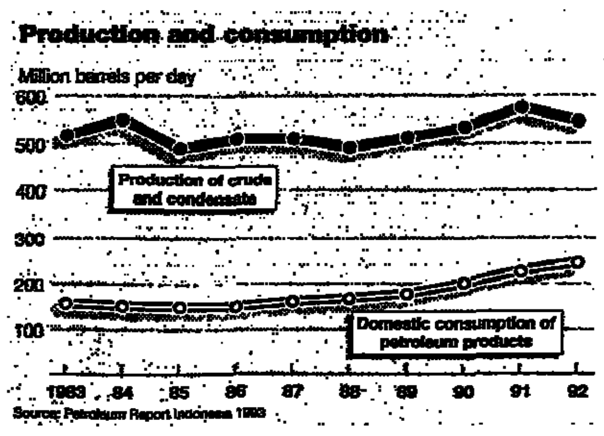
The economy appeared to be teetering on the edge of a crisis at the beginning of this year. Foreign debt had reached the worrying $90bn mark; inflation was climbing; growth in non-oil exports was slowing down: the oil price plummeted on international markets and foreign investment appeared to be levelling out.

At the same time, the government reported a budget deficit of $8bn for the fiscal year 1994.

It had been hit hard by the worldwide slump in oil prices, which sparked off fears of a sharp one-off devaluation of the Indonesian rupiah, reminiscent of the 45 per cent devaluation that occurred in 1986. Oil prices have since climbed back from their year-long lows, so that the government's $16/barrel oil price assumption for its fiscal 1995 budget appears to be realistic.

Meanwhile, foreign investment has also picked up. Analysts point to steady improvements in consumer demand and economic recovery in the developed countries as factors which could lift Indonesia's economic growth as high as 7 per cent this year, after expanding by 6.7 per cent last year.

Production and consumption



Source: Petroleum Report Indonesia 1993

The looming crises did, however, bring home Indonesia's sensitivity to external economic factors. The country's oil exports may only account for a third of total exports, compared with two thirds at the beginning of the 1980s, but oil revenue is still an important part of the budget. That will remain the case as long as non-oil exports rely to a large extent on wood products and textiles. Textile prices slumped by about 25 per cent last year, accounting for much of 1993's sudden slowdown in growth of non-oil exports.

What is needed to reduce the country's sensitivity to fluctuating oil prices is diversification of the non-oil export sector – a difficult feat to accomplish. Many of the country's most important economic figures are politically well-connected and have assumed monopolistic roles, protected by high tariffs.

There is also growing friction at the unequal distribution of wealth in the country, an issue which economists say is being used as a back door way of getting at deregulation.

The discrepancies between rich and poor are most striking in the cities, where luxury shopping malls, selling the latest western fashions at extravagant prices, tower over beggars and street vendors eking out a miserable existence. President Suharto is credited with reducing by two-thirds the number of people living in poverty since he took power in 1967. "There is great sensitivity to distribution of wealth in many very high quarters," says a Jakarta-based economist.

Balance of Payments ($m)

Current account	1992/93*	1993/94*
Oil (net)	1,327	759
Gas (net)	2,188	1,990
Non-oil exports (f.o.b)	24,823	28,169
Non-oil imports (c.i.f)	(23,751)	(25,904)
Non-oil services (net)	(7,148)	(7,888)
	2,561	2,888
Capital account		
Donor aid	5,755	5,894
Debt repayments	(4,840)	(5,146)
Direct investments	1,705	2,048
Other capital flows	2,579	3,535
	5,199	633
Total	2,638	3,443

*Fiscal year, ending March 31
Source: Bank Indonesia

The Indonesian government has been introducing deregulation packages regularly since the mid-1980s, but while deregulation of foreign investment has been relatively easy to push through, deregulating trade has been troublesome.

"A lot of export potential remains untapped," the Jakarta-based economist says. "There needs to be further deregulation but this has been met with a lot of resistance in the government, particularly deregulation of the agricultural sector, because this area of the economy delivers huge sources of rent to key economic players."


Mr Mar'ie Muhammad is the present minister of finance

The latest deregulation package on foreign investment, introduced on June 2, was welcomed by economists and analysts who predict that it will significantly improve Indonesia's investment climate relative to competitors for foreign funds such as China, India and Vietnam.

The move was well-timed. The minimum wage was raised by 46 per cent at the beginning of this year and it would be unwise to scare off labour-intensive industries while there are 2.5m people entering the work force every year.

Easing restrictions on exports is proving more difficult, although economists estimate that high tariffs and protectionist measures could be costing the economy as much as 2 per cent in annual economic growth. These high rates of protection raise the costs of raw materials, and therefore production costs, for many local producers. Competing on international markets under these conditions is impossible.

The problem is deep-rooted - some of the industries in question are controlled by President Suharto's family and friends. Economists point to the petrochemical sector, where last year the government introduced a 25 per cent import tariff on polypropylene resin accompanied by a 30-40 per cent import tariff on the plastic films with which resin is made.

In the agricultural sector, import tariffs help maintain an artificially high price for sugar, which in turn hampers the development of an export-oriented food processing sector. The problem extends to the pulp and paper industry, where frustrated paper users formed an association to lobby the government.

Despite dire warnings about the consequences of high levels of protectionism, the lobby – which includes publishers and printing companies – has had little success so far. Mr Fauzi Lubis, chairman of the Indonesian Printing Company Association, was quoted recently in the national press as saying: "Out of the country's 100 notebook manufacturers, only nine are still operating."

Donors and government technocrats are equally concerned at the high cost of heavy industry projects being undertaken by Mr B J Habibie, the minister of technology and research, at a time when the government is struggling to balance its fiscal 1995 budget. Mr Habibie's eagerness to develop aircraft manufacturing, car and nuclear power industries has caused a storm of controversy, reflecting the policy struggles taking place between technologists and technocrats in government.

Although analysts recognise Mr Habibie's efforts in fostering a highly-trained work force, they argue that it is impossible to leap-frog to development through technical wizardry.

If the growth of non-oil exports does not pick up and the current account deficit continues to grow hand in hand with foreign debt, the government's technocrats will certainly gain the upper hand. In the meantime they face the unenviable task of battling with well-connected business monopolies and cash-hungry state enterprises.

Manuela Saragosa looks at foreign investment

This year looks rosier

After years of hearing complaints about restrictions on foreign investment, the government has at last greatly reduced the limits, in order to increase the flow of funds into the country. At the beginning of June the government decided to scrap rules stipulating that foreign companies must reduce their stakes in joint ventures to a minority shareholding after 20 years of operation.

Moreover, it announced that it would open up sectors as diverse as telecommunications, civil aviation, nuclear power, electricity, and seaports to partial foreign ownership – all previously barred.

It was necessary. With 2.5m people a year entering the Indonesian workforce, to say nothing of a 46 per cent rise in the minimum wage at the beginning of this year, and increased competition for foreign funds from neighbouring Asian countries, Indonesia had to take action to improve its investment climate.

Deregulation had assumed a sense of urgency. Many Japanese investors have been operating in Indonesia since the mid-1970s; their investment licences were coming up for renewal. Under the old regulations they faced becoming minority shareholders. Officials say that some Japanese companies were threatening to pull out of Indonesia altogether.

The latest deregulation package "was very, very big news for us," says Mr Yohsuke Udaka, director of PT Teijin Indonesia Fiber. He says it will increase Indonesia's appeal to foreign investors and also strengthen his company's argument to expand their activities in Indonesia.

Nevertheless, the five-year tax holidays which are offered to foreign companies setting up shop in China, together with Indonesia's high interest rates and bureaucratic hold-ups, may continue to convince some investors that they should move elsewhere. "We realise we have competitors," says Mr Asril Noer, director of overseas promotion at the Investment Co-ordinating Board (BKPM). "Developing countries have to compete for foreign investment. Many are trying to make their investment climate more attractive than others. But so are we."

The latest deregulation package, however, had to tackle some stiff opposition. Ministers initially decreed that the media sector would be open to foreigners – but that decision was quickly squashed after an outcry from Mr Harmoko, the minister of information, who complained that opening up the media to foreign ownership threatened the country's national integrity. President Suharto assured Mr Harmoko that any foreign ownership of the media sector would be illegal.

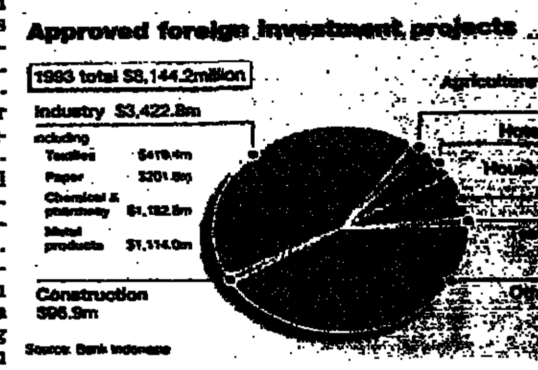
The event demonstrated that nationalism is still an effective instrument in thwarting attempts at deregulation. But it neither surprised nor disappointed investors, who say that any benefits derived from investing in Indonesian media are outweighed by the risks.

Meanwhile, foreign investors are still digesting other points in the latest deregulation package which so far have remained uncontested.

They include extending foreign companies' operating licences to 30 years from 20 years, and abolishing regional restrictions and a minimum capital requirement of $50m on full foreign ownership. All have been hailed as important breakthroughs – at the right time. Last year foreign direct investment in Indonesia, excluding oil and gas exploration, showed an unexpected drop to $8.4 bn from $10.3 bn a year earlier. Mr Noer at the Investment Co-ordinating Board blames last year's drop on the recession in Japan, Indonesia's largest foreign investor.

But things look rosier this year. According to the latest statistics from the Investment Co-ordinating Board, foreign direct investment totalled a healthy $5.03bn by mid-May. But the figures must be treated with caution, because historically only about half of approved foreign projects by value are implemented.

Approved foreign investment projects



Source: Bank Indonesia

Companies complain about the bureaucratic obstacles they bump into when doing business in Indonesia. They protest that the country's legal system does not provide adequate protection, especially in anti-dumping legislation. Getting approval for an investment project is long and arduous, although steps have been taken to speed up the process. Once that is overcome, some investors complain that they have problems getting raw materials into the country because customs officials hold them to ransom. And they find it impossible to work the tax rebate system. "The problem is that the bureaucracy tends to divert the good intentions of ministers," says a disenchanted investor.

Mr Noer at the Investment Co-ordinating Board points out that despite complaints, applications keep rolling in. Ministers, meanwhile, have indicated that they will not become complacent.

"We are discussing the next deregulation package," says Mr Saleh Afiff, co-ordinating minister for economic and financial affairs. "Many other things have to be done."

Manuela Saragosa notes more open debate in politics

Suharto is untouchable

President Suharto is unlikely to go down in history as a born-again democrat, but his recent calls for more open public debate, with his moves to reduce the number of military men in government, indicate that there is change brewing.

The changes started when Mr Suharto, a former general, entered his sixth five-year term in office in March last year, having run in elections as the sole presidential candidate and been backed by both opposition parties and the ruling Golkar party.

First, he introduced a surprise cabinet reshuffle. Out went many of the older 1945 independence generation ministers; in came younger faces. In the process, members of the armed forces were reduced to eight from 11 in a 41-member cabinet, with only two of them on the military's active service list.

A few months later, President Suharto was calling for more open public debate. Politically sensitive subjects such as his own succession, human rights in East Timor, and the role of ethnic Chinese Indonesians in the country's business and economy are no longer completely taboo. "The degree of political openness is unrecognisable from three or four years ago," says a Jakarta-based western diplomat.

To be sure, Mr Suharto and his family remain untouchable. Earlier this year, students who demonstrated outside parliament, demanding that Suharto account for his leadership, were each sentenced to six months imprisonment for defaming the president. Open discussion of Mr Suharto's family business monopolies, which extend from satellite communications to cement manufacturing, also remains off limits in the national press. What is interesting is not that the press has become bolder, but what has motivated Mr Suharto to call for more open public debate.

Observers point to his increasingly frequent hints that he may step down when his presidential term ends in 1998 – he will turn 77 that year – but they also mention the strain involved in keeping a lid held down on a society which is demanding more democracy to accompany its more open economic policies.

The national press is still constrained by a law which empowers the government to revoke publication and broadcasting licences when "the wrong kind of information" is dispersed – but Jakarta roof tops are littered with large satellite dishes, soaking up information from international broadcasting networks.

"Mr Suharto realises that with globalisation it is inevitable that people know about what is happening instantly," says Mr Juwono Sudarsono, professor of International Relations at the University of Indonesia. "He realises that managed openness is better than a complete clampdown. It is more effective in managing change."

Political analysts say that Mr Suharto's moves to foster open political debate show he is concerned about the legacy he will leave when he steps down. Over the last few years he has successfully dubbed himself as "the father of development" in Indonesia and his rule is credited with consistency in sustaining a healthy level of economic growth.

Politically, his track record is not squeaky clean, particularly on the subject of human rights. An attempt to set the record straight on that front was carried out earlier this year when the Indonesian government invited journalists from all over the world to attend a government-guided tour of East Timor – part of a campaign to improve Indonesia's international reputation. The campaign is accompanied with a gradual reduction of military presence in government. The military, however, remains a force to be reckoned with.

President Suharto: sixth five-year term

Much of the public debate in the press is a reflection of the power struggles taking place in the ruling elite – technocrats and military men battling with technologists – and debate between the generations. Political analysts note that a new generation of ministers has entered Indonesian political life and that, unlike the 1945 independence generation, they are less concerned with cohesion and national unity. Many of them have been educated in the west and have tasted political freedoms which they do not have at home. They stand behind the drive for more transparency in government. However, rather than argue things out in parliament, some politicians have resorted to tossing subtle barbs at each other in the press.

One example is the controversy surrounding Mr JB Habibie, the minister of technology and research. Pressure on Mr Habibie's demands for a budget of $1.1bn for the purchase and upgrade of the former East Germany's fleet of warships was mounted by the minister of defence and security, who commented to journalists that the budget request was excessive. A few days later the minister of finance forced Mr Habibie to slash his budget to $482m.

Increased political openness has also had its negative manifestations. Some newspapers have used their freedom to vent racist feelings against ethnic Chinese Indonesians.

Their grievances are based on the fact that the ethnic Chinese control about 75 per cent of the country's private capital although they only make up about 2 per cent of the population.

Observers say that attacks on ethnic Chinese Indonesians are also veiled criticisms of government officials who benefit from their association with large Chinese-dominated conglomerates, and an indirect attack on President Suharto, who has often protected Chinese business interests in Indonesia.

It is certainly true that resentment of ethnic Chinese domination in industry and commerce has been an enduring characteristic of Indonesian politics since independence.

But some observers say that in this sprawling archipelago, consisting of hundreds of different ethnic groupings who together count as the world's fourth largest population, things could easily slip into chaos. They point to the labour riots, laced with anti-Chinese sentiment, in the north Sumatran town of Medan earlier this year.

In the meantime, Indonesians are watching the massacres in the former Yugoslavia with a mixture of horror and interest. Events there are a grim reminder of the consequences of ethno-nationalism.

Analysts say, however, that a Balkan type break up is unlikely to occur in Indonesia because there is a strong sense among the ruling elite and military that stability is essential to keep up the momentum of economic growth. Thus, while the press may be bolder, there is still no freedom to assembly, no freedom of association and people's right to information is limited.

As Mr Sudarsono puts it; "The government wants to strike a nice balance between openness and stability."

Victor Mallet analyses the growing pains of industrial revolution

Disputes can turn violent

Indonesia's industrial revolution has not been without growing pains. Strikes and demonstrations by factory workers have become increasingly frequent since the beginning of the decade, and labour disputes have occasionally turned violent.

The owners of export-oriented factories – for whom cheap labour is one of the main attractions of Indonesia – are understandably concerned about rising labour costs and the risk of unrest.

But employers are aware that Indonesian workers are still much cheaper than most of their counterparts elsewhere in south-east Asia; and they know that the lower-paid workers of Vietnam and China are starting to demand more money for factory work.

Indonesia's fledgling independent trade union movement has found support from a motley collection of allies, including liberal non-governmental organisations from Indonesia and abroad who have helped to inform workers of their rights, and the US administration, which has threatened to withdraw tariff privileges from Indonesian exports to the US if Jakarta fails to adhere to international labour standards.

Indonesian employers, most of them from the ethnic Chinese minority, have also unwittingly contributed to the increasing strength of the local labour movement; some have fuelled the resentment of workers by paying less than the official minimum wage (currently Rp3,800 a day in Jakarta) or by treating employees with exceptional harshness; one factory was reported to have deducted Rp500 from workers' pay each time they went to the lavatory).

Trade unionists already proclaim two martyrs whose names are known by industrial workers throughout the country: Marsinah, a woman labour activist and watch factory employee who was tortured, sexually abused and murdered last year (three of the company's employees were recently found guilty of the crime but the men say they were forced to confess and the authorities have been accused of a cover-up); and Rusli, a rubber factory worker whose body was found in a river in Medan, north Sumatra, following a demonstration in March that was broken up by riot police.

In April, thousands of Medan workers went on strike, and demonstrations degenerated into rioting directed at the ethnic Chinese; one factory owner was dragged from his car and killed before the armed forces restored order. More recently there have been several strikes on the main island of Java.

STRIKES 1988 - 1992

Year	Number	Workers involved	Hours lost
1988	39	7,545	69,213
1989	19	4,245	27,454
1990	61	31,234	316,590
1991	130	64,474	534,610
1992	197	98,764	1,044,519
1993	169	97,807	857,845

Source: Indonesian Government/US Embassy Jakarta

The independent Indonesian Welfare Labour Union, established two years ago, has led the struggle for higher wages and better conditions, but the government has refused to allow the union to register and occasionally arrests its officials. Instead, the government insists that workers must be represented through the officially sanctioned All Indonesia Workers Union, an organisation headed not by a worker but by a textile magnate who is also a member of the ruling Golkar party.

> Government officials justify an officially-controlled union by the need to maintain law and order

Government officials argue that Indonesian workers are not sufficiently educated to establish their own union and that an officially-controlled union is justified by the need to maintain law and order. Mr Suwarto, director general for industrial relations and labour standards at the ministry of manpower, says: "How can they organise for themselves without being guided by the government?"

He adds: "Here in Indonesia, if there are 50 people carrying banners, in five minutes there will be hundreds and then thousands – and stone-throwing – because of unemployment."

He acknowledges that the ministry sometimes has difficulties in enforcing the minimum wage rules and other labour legislation, pointing out that there are only 700 labour inspectors covering 147,000 companies.

Asked about allegations that employers routinely bribe inspectors to ignore company malpractices, Mr Suwarto replies that it is impossible for the government to act against corruption without proof.

Employers, meanwhile, have threatened to lay off workers if wages continue to rise. They say Indonesian productivity is low and they normally employ more people than they need as part of an informal social contract involving low wages on the one hand and job security on the other. With 2.5m school leavers entering the workforce each year, and an estimated 30-40m Indonesians either unemployed or underemployed, factory owners say they do not see much economic justification for increased wages.

The independent trade union (known by its Indonesian acronym as the SBSI, not to be confused with the government-backed SPSI) argues that wages and conditions should be improved both to provide workers with a living wage and to ensure that labourers are treated in accordance with the international agreements to which the Indonesian government itself has subscribed.

Trade unionists – and foreign businessmen – repeatedly refer to the fact that whereas wages account for only about 7 per cent or 8 per cent of total costs for a typical company in Indonesia, bribes for government officials can account for between 10 and 30 per cent; the obvious way of pleasing employees and employers alike is to abolish corruption and use the money saved to raise wages.

The SBSI, which now claims to have more than 250,000 members, inevitably finds itself straying into the political arena, confronting the government on such issues as freedom of association (theoretically guaranteed in the constitution) and the role of the armed forces (which are dominant in politics and frequently intervene in factory strikes).

"My struggle is to build a strong civil society through a strong trade union," says Mr Muchtar Pakpahan, SBSI leader. "Only a strong trade union can balance the domination of the military."

Should the government attempt to close down the SBSI, he says, "I will organise a rally to topple the government if the government acts against the law and against the constitution."

Some military leaders have likened the SBSI to a subversive communist organisation, and the Indonesian government may be tempted to emulate its counterparts in Malaysia and Singapore by suppressing the independent trade union movement. Even if that happens, Indonesia is unlikely to be able to resist domestic and international pressure for higher wages and better working conditions.

This was one of topics raised by the International Labour Organisation's Mr Heribert Maier, who called for a new Indonesian labour code based on ILO principles during a recent visit to Jakarta. As he said in a speech to Indonesian officials: "The events of the last few years, months or even weeks in the country have shown quite clearly that the evolution of its industrial relations has not kept pace with its rapidly developing economy and industry."

Profile: Mohamad Hasan

Private king

In the tight-knit Indonesian business community, the same names keep cropping up – such as Mr Mohamad Hasan. Universally known as Bob, Mr Hasan heads one of the small number of enormous personal business empires which control much of the country's economic activity.

By his own count, Mr Hasan owns more than 100 companies with interests ranging from forestry and construction to insurance and banking. But although his wiry figure and impish looks are a familiar public sight, his personal affairs have remained very private – often wrapped up in the *yayasans*, or quasi-charitable foundations which conceal much of Indonesia's wealth.

Mr Hasan has never floated shares on the public exchanges. In a recent interview he said his group made no use of debt either.

But the influence of the Hasan empire extends well beyond mere business. Mr Hasan is close to President Suharto, whom he got to know in the 1950s when he was a regional military commander. Today the two meet regularly to play golf. The mere association of Mr Hasan with some initiative is enough to get it off the ground.

Like most of Indonesia's business tycoons, Mr Hasan is of Chinese ethnic origin – a somewhat touchy matter in a country which resents Chinese commercial domination. But if this has been a disadvantage, it is greatly outweighed by his links with Suharto, which are closer than any cabinet member's. To reinforce these ties, Mr Hasan changed his name (it was originally The Kian Sang), and converted to Islam, joining Suharto on the *haj* to Mecca. He is also said to make a point of not employing Chinese staff.

The heart of the Hasan empire lies in forestry and wood products. His personal power base is reinforced by his chairmanship of Apkindo, the Indonesian plywood trade association whose members account for over three quarters of the plywood supplied to the world market.

This forestry connection has made him a controversial figure, not merely because of Apkindo's powerful grip on the wood products business, but also because of international concern about the destruction of the rain forests.

Mr Hasan denies that Apkindo sets prices: "That would get us in a lot of trouble." He has also gone on the offensive to defend Indonesia's forestry practices, visiting Strasbourg earlier this year to put his case to Euro-MPs.

"We want the world to know that we care about our forests," he says, adding that Indonesia has a detailed plan for its forest management, and has embarked on initiatives to enforce the law on concession holders, such as aerial surveillance and an eco-labelling scheme. Asked about the extent of illegal logging, he says; "There's a small quantity."

Mr Hasan believes that natural resources must underpin Indonesia's economic growth. "Everyone is going into electronics, cars and steel. But you need a table to put your computer on, a case for the diskette. We can make those things. They're complementary."

Now in his 60s, Mr Hasan has begun to pull back from direct day to day involvement with his businesses. His real interests, he says, are the string of sporting and community causes with which he is involved. He heads Indonesia's athletics, gymnastics, golf and chess associations.

He is also a member of the Business Council for Sustainable Development – the Swiss-based group of environmentally concerned businessmen – and is in the process of setting up an Indonesian branch of the Duke of Edinburgh's Award. "These are my businesses. My industries are my hobbies," he says.

David Lascelles

The Jakarta stock exchange is 70 per cent foreign driven

Insider thrills and spills

The Jakarta stock exchange has provided investors with an object lesson in the thrills – and spills – of emerging markets.

Last year the exchange was a star performer: the composite index doubled, triggering a flood of company flotations and rights issues. But after hitting a three-year high in the first week of January, it went into a nosedive which wiped 25 per cent off share values. In recent weeks prices have begun to creep back up again, but the experience has caused analysts to look more warily at the market – and its smaller sister in Surabaya.

The ostensible cause of the sell-off was the Federal Reserve Board's decision to raise US interest rates in February. But with a domestic crisis bubbling up in the state banking sector, and ethnic riots in Medan, there were other reasons for investors to be nervous.

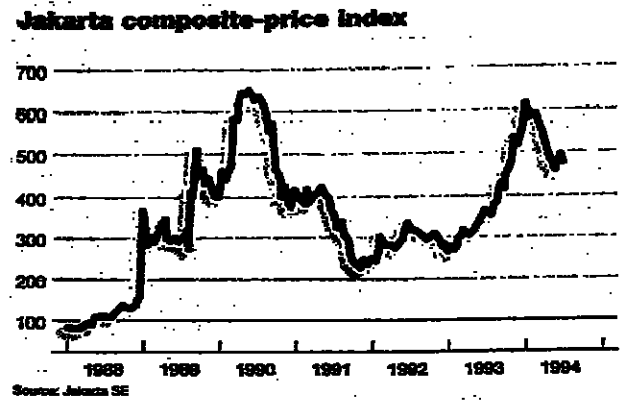
Analysts say that it is important to understand that unlike other south east Asian markets, Jakarta is not dominated by local Chinese traders. This means that there is less of the speculative investment seen on other regional exchanges. On the other hand, 70 per cent of the trading is driven by foreign investors, which means that Jakarta is vulnerable to whatever Wall Street or London fashion says about emerging markets.

Jakarta's modest capitalisation of about Rp 40tr ($19.2bn) and the relatively small number of stocks traded (183) make for the poor liquidity widely considered to be one of the exchange's biggest drawbacks.

The strong family ties linking shareholders of the biggest companies also mean that investors have to beware of insider trading. Nor is fraud unknown: last year, counterfeiters fed over a million forged share certificates on to the market, forcing suspension of trading in five listed companies. Some of the exchange's limitations are bureaucratic.

A further curb is the limit of 49 per cent on foreign ownership of the listed stock of Indonesian companies. This rule is more stringent than it appears because many large Indonesian companies only list a small proportion of issued stock – as little as 10 per cent. So foreign investors are being excluded from a sizeable area of potential investment territory.

Jakarta composite-price index



Source: Jakarta SE

Against that, however, the market is relatively open by south east Asian standards: there are no capital controls, and foreign stockbrokers can become members of the exchange by forming partnerships with local concerns (27 have). The exchange also has ambitious plans to automate operations and move to scripless trading later this year, which will greatly increase its trading capacity (currently limited to 5,000 manually entered deals a day), and reduce dealing costs.

Nonetheless, it was a blow to the exchange when Indosat, the large state-owned telecommunications company, decided to go to Wall Street for its forthcoming privatisation.

The recent crisis in the banking sector has sharpened the need for alternative sources of finance, and the government is keen to see the stock market take on a heavier share of the load. Much of the task of strengthening the exchange lies with Mr Bacelius Ruru, the chairman of Bapepam, the capital markets supervisory agency, which is part of the ministry of finance. He is trying to improve the market's reputation, and persuade the ministry to relax some of the more onerous regulations. Items on his agenda include more disclosure both of the finances of listed companies and of trading in their shares. Bapepam is a standard-setting body for company accounts; it is working with the accounting institutes to improve the rules. He is also trying to raise standards for initial offerings. Documents are vetted more closely, even if this holds up the flow of new issues.

Mr Ruru has told the ministry that the 49 per cent rule should be removed – although so far with no result. He is in less of a hurry to remove the 15 multiple rule. "It's a way to teach the market how to behave. People should float shares out of need, not greed." Nonetheless, Mr Ruru says this will only be temporary "We don't want our market to be different from the others."

Insider trading is a bigger problem. Bapepam does not have the powers to deal with it effectively: there have been no successful prosecutions, despite what brokers say are blatant cases where shares have moved sharply in advance of price-sensitive news. Part of the problem is cultural. As an official puts it: "An exchange without insider trading is like a night club without girls."

However, Bapepam has tried to protect the independent shareholders in large companies with dominant family shareholders.

David Lascelles

David Lascelles on the banks

Stern specifics

"I specifically urge all parties related to banking activities to stick to ethical and efficient practice in managing the industry."

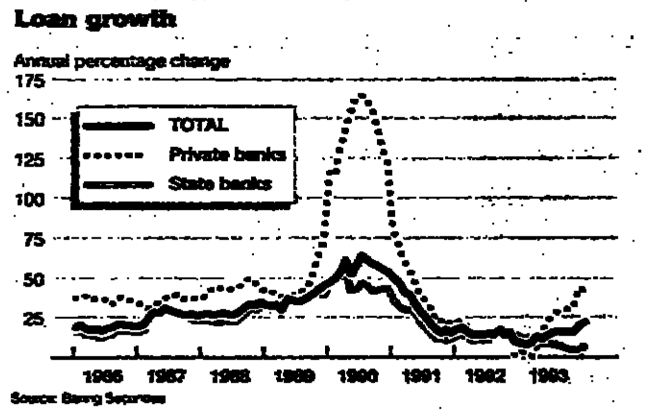
These stern words came last month from no less a person than President Suharto – a clear indication of the serious straits in which Indonesia's banking industry finds itself.

Suharto made his utterance just as the Indonesian press was regaling its readers with details of the Bapindo trial in which Mr Eddy Tansil, a local businessman, is accused of defrauding Bapindo, the state development bank, of the equivalent of over $430m. The case has sent shock waves through the Indonesian political and business establishment with its suggestion of corruption in high places. But it has also forced the Indonesian authorities to confront the extent of bad loans in the country's notoriously manipulated state banking sector.

According to an announcement by Mr Mar'ie Muhammad, the finance minister, last February, 21 per cent of loans worth $7bn in the seven state banks are either bad or in default. He told a parliamentary hearing that much of this was the result of collusion between the banks and their customers, and promised a massive clean-up. The ministry of finance has now set up a supervisory team with Bank Indonesia, the central bank, to pick through the state banks' loan books.

Mr Sudradjad Djiwandono, who became governor of Bank Indonesia a year ago, says: "Although there's a big public uproar over Bapindo, we had already begun to address the issue of bad loans." He says that a wide range of measures is being adopted to strengthen the banking industry – and supervision.

Loan growth



Source: Barings Securities

All this attention to banking – fed by the new openness Suharto has sanctioned – might be thought highly embarrassing, coming as it does on the heels of problems in the private banking sector as well. But many bankers welcome it as evidence of government determination to get banking back to health. "It's long overdue," says a foreign banker in Jakarta.

The private sector's problems date back to the ill-judged deregulation of the banking industry in 1988, releasing banks from tight controls on reserves and branch numbers. The banks used their new-found freedom to go on a lending spree which came to a halt a couple of years later, when the central bank tightened monetary policy to rein in credit growth. Since then, many private sector banks have been forced to merge, or turn to their shareholders for more capital. Last year Bank Summa, one of the country's largest, was wound up on government orders.

But the road back to health has proved long and arduous. The central bank tightened capital requirements to meet the new Basle regulations in 1991, but had to loosen them again last year to mobilise more lending, although the level of bad debts was still high. "By the end of this year, I can say that we shall have a very clean portfolio," says Mr Glenn Yusuf, a director of Bank Niaga, a leading private sector bank.

But the shake-out has still some way to go, in many people's view. The number of banks in Indonesia, 243, is considered to be far too large. At the same time, the number of properly qualified personnel is too small; this means that banks are badly managed. Another underlying problem is that many of Indonesia's largest banks form part of wider industrial conglomerates where they are treated as "in-house" banks. Much of the banking sector's difficulties stem from the incestuous relationships that result.

The central bank is trying to cut down the amount of linked lending by enforcing the internationally accepted ceiling of 20 per cent of assets to a single customer. But because the problem is so large, it has had to give banks a breathing space by allowing them to insure the credit risk on any over-limit loans until 1997.

The problems of the state sector have also had repercussions on private sector banks. Many of Indonesia's largest companies relied heavily on state banks for their funding. But now that the state sector is more tightly policed, these companies have been forced to turn to private banks instead – putting pressure on the private money markets and helping to push up interest rates.

Some companies have also begun to turn to foreign banks operating in Indonesia. But there are limits to the growth of this market because foreign banks are required to restrict most of their lending to export-related business. There are also limits on their ability to raise funds externally.

The sharp growth in bad loans has exposed another bugbear for bankers: the difficulty of recovering debts through the courts because of inefficiency and corruption. reform of the law affecting the rights of creditors and depositors is one of the items on the central bank's agenda.

David Lascelles looks at mining, natural gas and forestry developments in the Indonesian part of Borneo

Controversy persists over conservation issues

Kalimantan, as the Indonesian part of the island of Borneo is known, is a huge wilderness, thinly populated and rich in resources.

The terrain extends from high mountain peaks, through lush rain forests to the mangrove swamps and lazy rivers of the coast. Despite difficult working conditions – torrential rain and few roads – the island has important industrial projects, particularly in East Kalimantan where some of the richest energy and forestry resources lie.

But development is controversial: it creates social and economic strains and stirs up environmental concerns.

Sensitive to international criticism, the Indonesian government has been arguing that development and conservation can go hand in hand in developing the area's potential.

In the rain forest, trees draped in bright green foliage rear more than 100 feet into the air

Sangatta coal is of high quality

"That's the Sangatta seam we're chasing" says John Arkeveld, pointing at a thick black line in the hillside. We were standing on a muddy hilltop overlooking a huge man-made hole. All around us, dump trucks growled their way about, heaving out huge loads of glistening black coal.

Sangatta is one of the largest open-cast coal mines in the world. Set 13km inland from Kalimantan's east coast, the three-year-old operation is already producing some 10m tonnes a year, and is aiming to go up to 12m. Last month the mine set a world record by loading just under 200,000t of coal on to a single cargo ship.

The existence of coal in East Kalimantan has been known for some time. But Sangatta was only developed recently as a result of licensing deregulation by the Indonesian government. The Sangatta licence was won by Kaltim Prima Coal (KPC), a 50:50 joint venture between British Petroleum and CRA, the Australian mining company part owned by RTZ.

The mine is highly attractive. for a number of reasons. The coal is of exceptionally high quality: it is low in sulphur, ash and moisture; the seams are thick (up to 14m in places); and the reserves are estimated at 590m tonnes, enough for nearly 50 years. Production is already 50 per cent above plan.

Furthermore, the mine is linked by conveyor belt to a deep sea berth which means that the output can be shipped out cheaply. Most of the production is exported, mainly to power generation utilities in Japan, Taiwan and Hawaii.

But against that, the seams have turned out to be more complicated than the geologists expected, so mining costs have been higher than first thought. Also, steaming coal prices have fallen by a quarter since the mine got into production in 1991.

The mine cost $570m to develop, and

The BP/CRA contract with the government does not specify who is to pay the final clean-up costs once mining is finished

KPC pays the Indonesian state coal company PT Batubara a 13.5 per cent royalty on all the coal it takes out. Mr John Slater, the managing director, declines to discuss the operation's finances, but he says that production costs are at the lower end of the world scale, mainly because the coal can be shipped out so easily.

He is also optimistic on prices: "We are at the bottom of the cycle, and we'll see prices come back a little," he says, noting that spot prices could rise in Europe. (CRA reported a profit of $A44m on its half share in the mine last year, double the previous year's profit).

Another difficulty is that Sangatta lies next door to the Kutai national park, one of the few areas of virgin forest left in East Kalimantan, which makes it an easy target for environmentalists. KPC is helping to fund conservation projects to protect the area, and has a programme to reforest the open pit itself. What is not specified in the contract is who pays for the final clean-up costs once mining is finished.

The mine employs 2300 people and provides jobs for another 2000 contractors; it is the main source of employment for miles around. Employees get access to high class shops, education and health services. But this also sharpens the divide between the haves and the have-nots, the latter clustering hopefully round the mine in little villages.

How long BP and CRA will remain in control at Sangatta remains to be seen. Under the terms of their agreement with the government, they are required to offer up to 51 per cent of the business for sale to Indonesian interests between 1996 and 2001. Ironically, BP has been selling off most of its coal operations elsewhere in the world as part of its big rationalisation drive. But it held on to Sangatta because of its exceptional prospects.

'We are deep in the rain forest'

All around us, trees draped in bright green foliage rear more than 100 feet into the air. At our feet, the orange clay has been churned up by bulldozers. Close by we hear the roar of a chain saw followed by the slow crash of a falling tree.

We are deep in the Kalimantan rain forest, in one of the giant logging concessions which supply the bulk of Indonesia's timber. This one, covering a huge area of 470,000 hectares, belongs to the International Timber Corporation of Indonesia (ITCI). We are here because ITCI is keen to rebut accusations that it is ravaging the forests.

Suwardi Suwasa, who is in charge of forest rehabilitation, explains that the concession has been divided up into 35 blocks, and only one may be logged each year. Even then, an inventory has to be prepared and accounted for to the authorities, and only trees measuring more than 50cm across may be felled. This form of selective logging, which removes up to 10 trees per hectare a year, is healthy for the forest, Suwasa explains, because it lets in light and encourages regeneration.

He shows us a spot logged five years earlier. The "pioneer" species which recover first are already 20 feet high, creating an environment for the slower growing, longer lasting species to return.

After felling, logs are loaded up to 10 at a time on to huge haulage trucks and sent off to the saw mills where they are transformed into plywood, boxes, furniture and even conservatories for English suburbia.

The ITCI operation looks impressive to visitors. But environmentalists say it is not typical of logging operations on the island, where much felling is done illegally, with the connivance of the authorities. It is certainly easy to see the results of earlier rapacious logging along the coast where whole tracts of land have been flattened, and now lie neglected.

An eco-labelling system would help purchasers of Indonesian wood to know that the timber came from properly managed forests

Another worry is that Indonesia may increasingly turn to fast-growing eucalyptus to feed its ambitious plans for a domestic paper industry. But the forestry industry is beginning to hit back at these accusations. Mr Djamaludin Surjohadikusumo, minister of forestry and a former forester, acknowledges that there are "weaknesses in the chain of control," but he emphasises that steps are being taken to beef up enforcement – he points to the growing number of concessions which are cancelled each year because the holders have failed to heed the rules.

Apart from employing more foresters, he is encouraging the industry to set up an eco-labelling system so that purchasers of Indonesian wood can know that the timber came from properly managed forests. The scheme, which would be independent of government, has the support of non-governmental organisations.

"The industry needs a sustainable supply," he says. "Without it the industry would commit suicide." He estimates that illegal logging amounts to between 4m and 6m cubic meters a year, compared to official production of about 30m cu m – "but no one really knows".

The forestry industry on Kalimantan also supports a local independent research institute, Wanariset, which is funded by Tropenbos, the Dutch foundation, and multilateral lending agencies such as the World Bank. Mr Willie Smits, the Dutchman who runs it, says that the basic intentions of the Indonesian forestry industry are "good", but implementation of the rules is a problem.

His institute is developing ways of managing the forests more economically through botanical research and computerised management. He envisages a time when anyone buying a product made of Indonesian timber could identify the precise location of the tree which supplied it, and obtain an aerial photograph showing whether the area had been regenerated.

Natural gas on the equator

Bontang lies almost exactly on the equator. The air is hot and steamy, and a warm breeze blows in from the sea. But ice several inches thick coats the huge compressors where natural gas is being liquefied at temperatures below -150 degrees centigrade.

Each year the giant Bontang plant produces 15m tonnes of liquefied natural gas (LNG) from the surrounding gas fields and loads it on to special container vessels for shipment to Japan, South Korea and Taiwan. Developed nearly 20 years ago at a cost of some $3.5bn, it is now the largest of its kind in the world – a big contributor to Indonesia's overseas earnings.

Over that period, a complete town has sprung up along what was previously an empty coastline, dotted with a few fishing villages. Still hard to reach by land because of the poor roads and muddy rivers, Bontang is linked to the outside world mainly by air and sea. Although the plant itself only employs 1700 people, it helps to support a community now estimated at close on 100,000 people. But out at sea, within sight of the plant, a small village still perches on stilts: the home of the orang lau, or sea people who live offshore.

In the past, Bontang has been overshadowed by Indonesia's other LNG plant at Aceh in northern Sumatra which was developed more rapidly. But Bontang is about to take the lead. As Aceh's output levels off towards the end of this decade, Bontang's will continue to grow. Last November it opened its sixth train, or production line, and it has plans to add a seventh by 1997 and an eighth by the end of the decade, by which time capacity will be about 20m tonnes.

Mr Subroto, the plant's manufacturing manager, says that the only constraint on the scope for growth is the ability of the

The gas market is there – the fuel-hungry electricity utilities of the Pacific rim are expected to double their consumption by 2010

gas field contractors to supply the gas fast enough. The market for the LNG is there: the fuel-hungry electricity utilities of the Pacific rim are expected to double their consumption by 2010, and there is space at the plant for the additional trains.

Bontang is owned by Pertamina, the state oil and gas company. But it is managed by PT Badak, a company jointly owned by Pertamina, a consortium representing the Japanese customers who financed construction of the plant, and two of the companies which supply the gas: Total of France, and Vico (a joint venture between Lasmo of the UK and Union Texas Petroleum).

The gas comes from fields to the south of the plant, linked by a network of pipes running through the forests and mangrove swamps, culminating at the Badak processing plant just below the equator where the gas is made to the right blend and pressure for transmission up to Bontang. The fields also supply the Kaltim fertiliser plant just to the north of Bontang - again one of the largest of its kind in the world. Badak marks the spot where the first oil and gas was found in the area – by Roy Huffington of Texas (Huffco) in 1971. Huffco's properties later became part of Vico, with Lasmo acquiring its interest in 1991 when it bought Ultramar.

Since the Huffco finds, Total has been successful in discovering large new offshore fields in the mouth of the Mahakam River, despite the difficult operating conditions. The French company will shortly become the main supplier to Bontang, contributing about three quarters of the gas needed to fulfil new contracts currently under negotiation. "Our gas reserves will continue to improve," predicts Mr Bernard Vitry, Total's representative in Jakarta.

The total capacity of the fields supplying Bontang is about 33 trillion cubic feet, of which Total has about half.

As the oil surplus dwindles, **David Lascelles** considers energy needs

Big decisions to be made

As Indonesia's oil surplus dwindles, the country faces increasingly large questions about its energy future.

In some areas, Jakarta's policy is clear: the place vacated by oil is to be filled by other energy sources, which Indonesia fortunately has in abundance, notably liquid natural gas and coal. But in others, important decisions have still to be clarified: how are the ambitious targets for power generation to be achieved? And how is burgeoning demand for refined products to be met?

Indonesia currently produces some 1.5m barrels of oil a day, of which it exports about half. But although it has managed to maintain production at this level for some years, there is little prospect of it being increased. No major new finds await development, and all the most promising and accessible areas have been well explored. Meanwhile, domestic fuel consumption is increasing at the rate of about 5 per cent a year, raising the possibility that some time early next century Indonesia will cease to have any oil to spare.

Of the alternative energy sources, natural gas seems to have the brightest prospects. Already a world leader in the export of liquefied natural gas, Indonesia hopes to build on this position, but the pattern of production will change.

Until now, the Aceh LNG project in northern Sumatra has been the spearhead. Although Mobil has a new offshore field with 1.5tr cubic feet of gas still to develop there, Aceh's output will begin to level off through the rest of this decade. Meanwhile, Total has made substantial gas discoveries in East Kalimantan which have opened the way for important expansion of the 20-year-old Bontang LNG plant there. A fresh round of contracts is being negotiated with utility customers in Japan, on the basis of which two more production lines will be added to Bontang bringing its capacity to 20m tonnes a year. (see separate article on this page).

A question mark remains over the large gas field discovered by Exxon at Natuna in the northern offshore region of the country. The new energy minister, Ida Bagus Sudjana, halted negotiations last year, blaming the poor economics of the project. The feeling among the Jakarta oil and gas community is that its remoteness and the high carbon dioxide content of the gas deposit have weakened its chances.

The outlook for coal is also good. Following the liberalisation of licensing in the 1980s, several foreign companies have launched projects, mainly in Kalimantan, including CRA, BP and BHP. This has led to a dramatic increase in production and exports which has propelled Indonesia into the position of the world's fourth largest exporter of steam coal. Production last year reached 28.6m tonnes, with exports amounting to 19mt. The expectation is that production this year will reach 33mt, with exports rising to 24mt.

Most of this coal is produced from efficient open cast mines where reserves are large, warranting development plans extending several decades. In Kalimantan the coal quality is also good, with low sulphur, ash and moisture content.

The question is the extent to which Indonesia will deploy these resources of gas and coal for its own domestic use.

The government has an ambitious electricity programme for which it is trying to obtain private sector investment. The objective is not just capacity expansion, but a reduction of the current heavy reliance on oil for power generation. The 10 year plan aims to create some 15,000MW of new capacity, most of it coal-fired, but some also using gas.

Dozens of foreign companies are chasing the business, and a number of projects have been agreed involving concerns such as British Gas and Enron,

The government has an ambitious electricity programme for which it is trying to obtain private sector investment

mainly drawing gas from small offshore fields in the Java Sea. But the big decisions have still to be made. "Everyone's trying to sniff out what's happening," says a western oil executive.

"The gas in Kalimantan and Aceh is for export," says Mr Suyitno Patmosukismo, director general of the oil and gas directorate. "Other concentrations will be developed for domestic use, for power generation."

An important milestone was passed in January when PLN, the state power company, struck its first electricity purchase contract with a private sector generator, showing that agreement could be reached on prices. The plant, the coal-fired Paiton plant in East Java, is a joint venture between Mission Energy, GE, Mitsui and PT Batu Hitam Perkasa, an Indonesian concern.

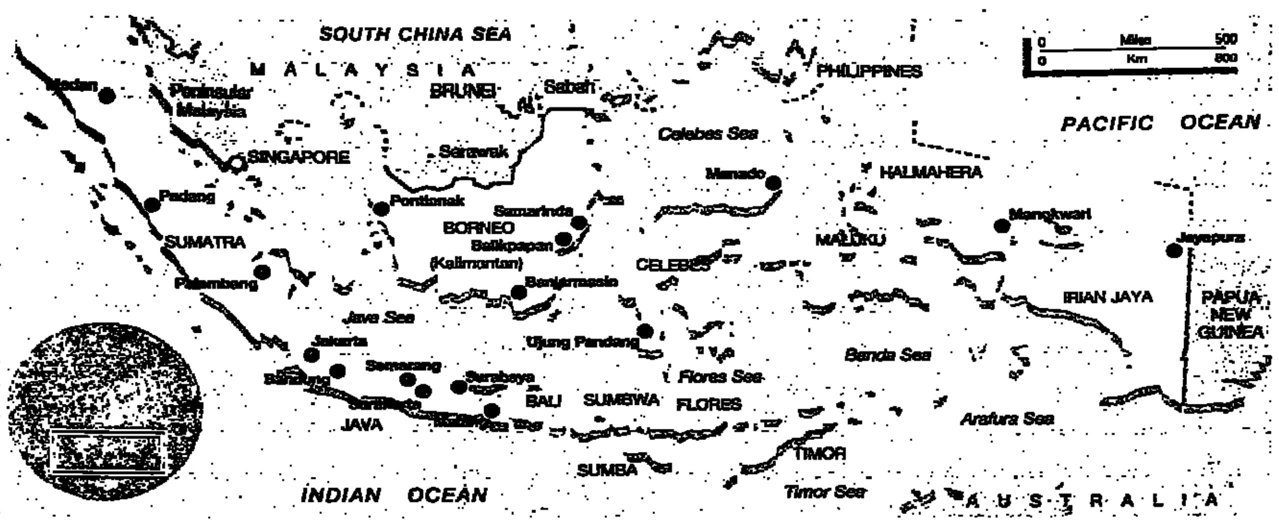
A permanent debating point in the energy industry is the quality of investment incentives for foreign companies. This has become more critical now that Indonesia needs to stimulate a greater exploration and production programme.

Last year, the government improved the profit share for companies operating in the less mature areas of eastern Indonesia and the offshore provinces: they will get 35 per cent rather than 20 per cent. But other changes reduced some of this benefit, leaving oil industry executives less than enthusiastic. A big sticking point is the government's refusal to consolidate taxation so that expenses incurred in one contract can be used to offset profits in another.

Mr Suyitno says: "There is a dialogue with the companies and we try to consider their concerns. But in the oil and gas area we do not need any more action to open our door wider."

Another potential difficulty is abandonment costs. Early contracts between Pertamina, the state oil company, and foreign contractors, omitted to specify who was responsible for removing equipment when production was finished. Foreign oil companies have taken the line that since Pertamina owns all oil industry assets, it should logically pay. Pertamina is now specifying in new contracts that foreign companies are responsible for these costs, but the question of who pays in old contracts – where millions of dollars are at stake – remains unresolved.

"According to our law and the law of the sea which Indonesia has agreed to, we have to remove it," says Mr Suyitno. "But the cost must be borne by the companies. We are discussing it with them."



Manuela Saragosa reviews foreign policy in the context of the region

Diplomatic row highlights sensitivity to criticism

A diplomatic row between the Philippines and Indonesia earlier this month highlighted once again Indonesia's sensitivity to criticism from abroad about human rights abuses in East Timor – but also hinted at the fragility of political unity within the Association of Southeast Asian Nations (Asean).

Relations between Indonesia and the Philippines became decidedly uncomfortable in May. The question of East Timor, always a thorn in the flesh of Indonesia's foreign policy, was at the centre of a diplomatic spat between the two countries which are usually content to march under Asean's banner of solidarity.

It started when the University of the Philippines, based in Manila, agreed to host the Asia Pacific Conference on East Timor. In the argument which followed, an angry Mr Ali Alatas, the Indonesian minister for foreign affairs, threatened to break off diplomatic relations with the Philippines if the Filipino government did not ban the conference.

A diplomatic envoy sent expressly from the Philippines did his best to explain that his government had no constitutional power to prevent the conference from taking place because it was organised by non-governmental organisations. Asked if the incident could damage relations between the two countries, Mr Alatas responded: "It could be a possibility."

The conference went ahead anyway, but Indonesia's lamentations were not completely without effect. The

The Philippines and Indonesia accused each other of interfering

Filipino government tried to bar foreign academics and human rights campaigners attending the conference from entering the country; in a number of cases it was successful.

"The whole affair was very embarrassing," a Jakarta-based diplomat says. It was embarrassing for the Philippines, which felt obliged to succumb to Indonesian pressure, and it was embarrassing for Indonesia because of the criticism which followed.

The Philippines and Indonesia accused one another of interfering in each other's domestic affairs. (The pillars of Asean rest on promises by its member states – Thailand, Indonesia, Malaysia, Singapore, Brunei and the Philippines – not to meddle in each others' politics.)

The problem, as one Asean official sees it, is the "differing levels of tolerance for political openness within Asean member states." In Indonesia people do not have the right to assemble freely – government approval is needed for gatherings attended by five or more people – but the Philippines is a struggling democracy where freedom of assembly is guaranteed by the country's constitution.

The manner in which Indonesia handled the incident was in direct contrast to its usual policy of keeping a low profile – and in contrast, too, to its highly applauded efforts in attempting to negotiate a settlement in the Cambodia conflict. As the row over the conference unfolded, Indonesia was accused of bullying a friendly neighbour. More to the point, the incident also demonstrated the lengths to which Indonesia will go to defend its stance on policy towards the former Portuguese colony.

The irony is that the noisy protests made by the Indonesian government gave the conference worldwide publicity and brought East Timor back into the headlines. Besides, it clashed with Indonesia's earlier policy of guaranteeing more openness about the East Timor issue, in what it hoped would "promote understanding of the problems in the region."

Earlier this year, foreign journalists were invited on a government-sponsored tour of the region. The aim was to demonstrate how much money had been spent by the Indonesian government in improving East Timor's infrastructure and building schools and hospitals.

As Mr Irawan Abidin, director of information at the ministry for foreign affairs, put it: "Indonesia's sincere intent to give substance to the freedom won by the people of East Timor is reflected in its continuous efforts to accelerate the social, economic and political development of East Timor."

However, the film footage of the Dili massacre of November 1991, which showed the military shooting into a crowd of unarmed independence demonstrators, is still fresh in many people's minds. What the Indonesian government does not appear to have anticipated, in its objections to the Manila conference, was the bad publicity it would earn. Indonesian newspapers bewailed the fact that attempts to stop the conference helped

"It is not unusual to see something like this happening in Asean"

develop it into a media blitz which portrayed Indonesia as the "bad guy" member of Asean.

One speaker invited to attend the conference, Mrs Danielle Mitterrand, the wife of French President François Mitterrand, accused the Indonesian government of exercising "tyrannical pressure" on her not to attend.

Critics say that Indonesia's outrage at the holding of the conference only lent credence to human rights activists' accusations that the Indonesian government is tyrannical and authoritarian.

That is exactly the kind of reputation the government is trying to shed now that it is becoming more tolerant of public debate. There is growing irritation in government that the only time Indonesia makes the headlines abroad is on matters relating to East Timor.

Meanwhile, Asean officials are anxious to point out that this kind of dispute between member states is not unusual. In the past, for example, there have been territorial disputes between Thailand and Malaysia which have eventually been resolved. "It is not unusual to see something like this happening in Asean," says an official. "But it is certainly not the end of Asean."

Officials say that Asean, which was set up in 1967 to provide a forum for economic co-operation, could not afford to break up over an argument between two member states, even if their policies differ significantly. In an increasingly competitive economic environment, "Asean realises that it has to stick together," the official says.

The diplomatic row between Indonesia and the Philippines may have been intense, but it was very short-lived. By mid-June, two weeks after the end of the East Timor conference, President Suharto assured a Filipino senator that he supported "traditional relations of friendship" and senior officials in Manila were quoted as saying that relations between the two countries were back to normal.

But it remains to be seen how Indonesia will react if further conferences on East Timor take place in the south east Asian region. Mr Murdiono, the Indonesian state secretary, said that a representative of the Filipino government promised there would be no more conferences on the subject, but senators in the Philippines claim to be unaware of this promise.

Indonesia's handling of the East Timor conference may have been a veiled warning to neighbouring countries to steer clear of sensitive issues in the country. In the meantime, critics say that the affair has done little to improve the government's reputation.

KEY FACTS

Area ..... 5,085,606 sq km (of which land area 1,919,443 sq km, sea 3,166,163 sq km)
Population ..... 189.7 million (1993 estimate)
Head of state ..... President Suharto
Currency ..... Indonesian Rupiah (Rp)
Average exchange rate . 1993 \$1=Rp2,093; 10/6/94 \$1=Rp2,168

ECONOMY	1993	1994*
Total GDP (\$bn)	143.9	n.a.
Real GDP growth (%)	6.6	7.0
GDP per capita (\$)	759	n.a.
Consumer prices (% change pa)	9.7	8.0
Reserves minus gold (\$bn, Dec).	11.3	11.4
Stock Mkt index (% change over year)	+114.6	-17.9
Total external debt (\$bn)	90.2	n.a.
Debt service ratio (%)	32.0	n.a.
Current account balance (\$bn)	-2.8	-3.3
Exports (\$bn)	35.3	38.6
Imports (\$bn)	27.4	30.0
Trade balance (\$bn)	7.9	8.6
Main trading partners (1992, % by value)	Exports	Imports
Japan	31.7	22.0
USA	13.0	14.0
Singapore	9.8	6.1
South Korea	6.1	6.9

* = Latest figures. EIU estimates for 1994 except Reserves (Jan) and Stock market index (Jakarta Composite - % change from 31/12/93 to 10/6/94).
Source:IMF, Datastream, Economist Intelligence Unit.


Terraced rice-fields in the mountainous Indonesian island of Bali

Manuela Saragosa interviews the minister for trade and industry

Committed deregulator

Mr Hartarto was promoted to be Indonesia's co-ordinating minister for trade and industry last year after serving as minister of industry for two consecutive terms.

He explains the government's policy on deregulation of the economy.

Question: *The government is working on a trade deregulation package to complement its hosting of the Asia Pacific Economic Co-operation (Apec) conference later this year. Could you give any hints as to what might be expected in this package?*

Answer: The deregulation package is actually linked with a trend in the world for globalisation.

It is a basic need to further deregulate the economy. As you know, we are always implementing prudent macro-economic management. That is very important, and then to enable our economic growth we emphasise investment and exports.

On investment we have recently issued new regulations which will hopefully boost foreign investment and this is also linked to the restructuring of the economies of certain countries in this region such as Japan, Korea, Hong Kong, Taiwan, Singapore, Australia. We have to compete globally.

The latest deregulation package is not enough. We must also deregulate export and import procedures and then deregulate tariffs. This will also be announced very soon

"Certain areas of agriculture are still protected"

because we have to comply with Asean's (Association of South East Asian Nations) free trade requirements and also Catt (General Agreement on Tariffs and Trade) requirements. Unilaterally, we will reduce our tariffs, probably in the near future. The final tariffs will be between 0 and 5 per cent. And then we also will remove, hopefully, all the non-tariff barriers.

Q: *How much of a threat are the economies of Vietnam, China and India to Indonesia?*

A: We should not think about threats. What we have to do is deregulate the economy and I do believe that investors take note of the experience of Indonesia in the past 25 years during which we have been able to maintain 6.6 per cent growth on average every year. So this is actually a trust which we can use to attract more investment.

Q: *The petrochemical, aircraft manufacturing and agricultural sectors remain highly regulated. Do you foresee any changes in these sectors?*

A: Certain areas of agriculture are still protected but we have to follow the rules. They cover six commodities, such as rice, soyabeans, cloves, white onions. But we have to change.

Q: *Many sectors of the economy are dominated by well-connected businessmen. Do you think that deregulating them could evolve into a big political battle?*

A: No. We have to deregulate every sector, reducing tariffs.

Q: *The government recently announced some drastic changes to restrictions on foreign investment in Indonesia, but opening up the media sector to foreigners was not well-received. Did you expect such a reaction?*

A: Well, from the beginning the media sector was not opened. Explanation was rather late and that created the reaction. When the team explained about the latest deregulation package they did not explain fully that media was not included.

Q: *Foreign investors here complain that while the government is committed to deregulation, they often have to fight with a bureaucracy that does not have the same intentions as ministers. How will you tackle this problem?*

A: The next deregulation package will follow this up. Hopefully it will be issued very soon. They are now working on that. It will deal with new investment, foreign investment, domestic investment, export and import procedures.

Q: *When can that package be expected?*

A: Within this month or next.

Q: *There appears to be a real urgency about it.*

A: Yes, it is urgent. It is for our own sake.

Q: *What sparked off this urgency?*

A: The fact that we had problems with our domestic banking system. The requirements for capital investment for the next six years are so huge and we have to maintain growth of 6.5 per cent. So we have to do this.

Q: *How important do you think high technology industries such as aircraft manufacturing and ship building are to Indonesia's economic development?*

A: This is of strategic value and so we maintain we have to develop these sectors also. But as far as ship-building is concerned, it is not only relying on the state but also on the private sector. We are not only exporting textiles and shoes, we are also exporting capital goods, something that is not well-known. We are exporting paper plants to Iran and Iraq, turnkey plants to Northern Ireland and France, chemical plants to China. We have the engineers to do that. We are exporting ships, which cost \$55m each, to Sweden. We are also exporting helicopters.

Q: *There has been much talk and controversy surrounding the development of a nuclear power industry in Indonesia. How likely do you think it is that Indonesia will build a nuclear power reactor?*

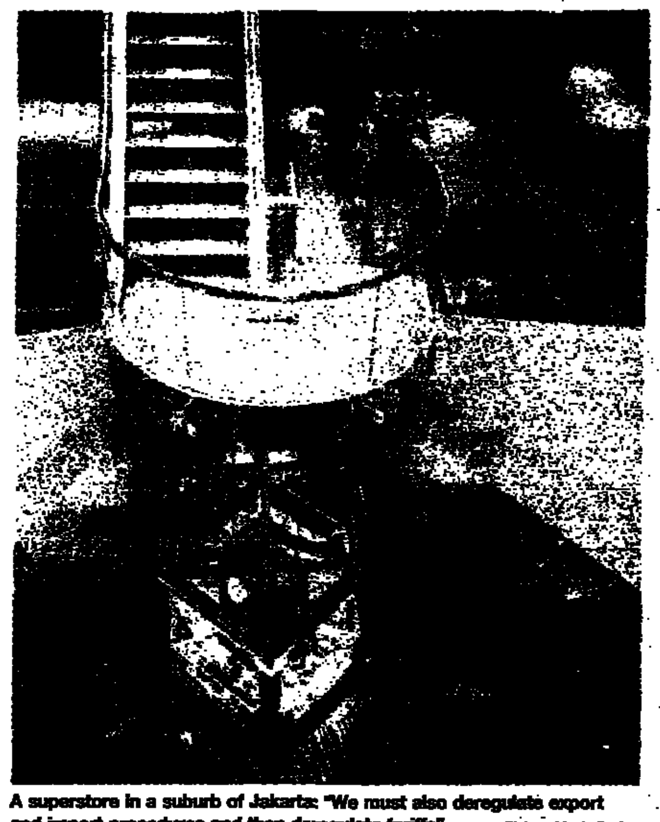
A: Our power requirements for the next six years are the same as required during the past 25 years. So it means that power requirements need to be developed and relying on thermal power only is not sufficient. We have to go nuclear one day. There is no doubt about it.

Q: *What role will foreign capital play in domestic power generation?*

A: Mostly we will rely on foreign investment. Once we agree on the transfer price on the power entering our national grid system I think it will be clear enough.

Q: *Indonesia has embarked on a policy to privatise many of its state-owned industries, and privatisation of the telecommunications industry is already under way. What is the next step in this process and what other sectors will be included?*

A: Sectors which have good prospects. Those sectors which have good returns and reliable returns. State-owned companies are among the biggest tax-payers in this country.


A superstore in a suburb of Jakarta: "We must also deregulate export and import procedures and then deregulate tariffs" Picture: Martin Davies

FINANCIAL TIMES SURVEY

NORWAY

Friday June 24 1994

A confident nation is wary of change

Polls suggest that most people disagree with the government over EU membership. Hugh Carnegy and Karen Fossli examine the pre-referendum mood.

Norway's Labour government is poised this summer like a ski-jumper in mid-air, whose perfect take-off could yet end in a painful crash landing.

Under the leadership of Mrs Gro Harlem Brundtland, one of Europe's most experienced prime ministers, Labour has skilfully prepared the way for the country at last to join the European Union – along with its fellow Efta (European Free Trade Area) members, Austria, Finland and Sweden – on January 1.

Labour, although a minority administration, is virtually unchallenged in power after strengthening its position in the Storting (parliament) in last September's general election. After long and difficult negotiations, it concluded an accession treaty with the EU in March, which even many sceptics within Labour welcomed as a good deal.

In the meantime, the mood of the nation has rarely exuded such self-confidence. The oil-boosted economy is on the up after several laggardly years, and is set to grow by up to 4 per cent this year – one of the fastest rates in Europe. Great pride was generated last autumn when it was revealed that Norway had secretly helped two of the world's most bitter foes – Israel and the Palestine Liberation Organisation – to reach an historic peace accord.

Earlier this year, Norwegians revelled in the international praise the country won for its impressive organisation of the Winter Olympics at Lillehammer and celebrated a record haul of gold medals by its athletes. To cap an unprecedented year for a nation devoted to sports, the Norwegian football team qualified for the world cup finals for the first time since the war.

But for Mrs Brundtland and her government, these are mere diversions: the real test lies ahead in the shape of a referendum on EU membership, on Monday, November 28.

Despite several years' unequivocal advocacy of membership by Mrs Brundtland (and most of the business community), opposition to joining remains deeply entrenched in Norway. Opinion polls have for months consistently shown the No camp with a majority of up to 56 per cent. Even many top politicians and government officials privately doubt whether they can turn opinion around in time.

Memories of 1972, when Norwegians voted down a proposal to join the European Community, destroying the Labour government of the day, are vivid as Mrs Brundtland seeks to avoid a crash landing in November.

The No campaign revolves round the widespread perception that EU membership involves a significant erosion of national sovereignty, will threaten the country's control over its cherished natural resources – especially oil and fish – and mean an end to Norway's long-standing policy of encouraging people to remain in the far-flung northern communities through heavy agricultural and regional subsidies.

These arguments proved decisive in 1972 and are hardly less potent now, in a country which only won its independence from Sweden in 1905 and suffered occupation by the Nazis during the second world war.

Opposition in parliament is led by the rurally-based Centre party, which, under the charismatic leadership of Ms Anne Enger Lahnstein, stormed to become the second largest party in the general election on the back of its fierce anti-EU stance. Outside the Storting, opposition is grouped under the well-organised "No to the EU" campaign.

"Our side is much more enthusiastic – the Yes side is finding it very difficult to generate any momentum," says Mr Johan J. Jakobsen, leader of the Centre party's Storting group. "They are badly organised, while all the No groups have accepted that the No-to-the-EU movement co-ordinates all opposition activities."

Faced with this unpromising outlook, Mrs Brundtland has by no means been idle. Working closely with Mr Thorbjoern Jagland, who took over as official Labour leader in 1992, she has managed to keep the party together under a pro-EU policy, despite the presence of a large anti-EU Labour faction.

Above all, the government achieved an accession accord with Brussels which was sufficient to ensure that senior ministers like Mr Jan Henry Olsen, the fisheries minister, and Mr Bjorn Tore Godal, the foreign minister, who were in the No camp in 1972, are now firmly behind Norwegian membership.

Norway made minimum concessions on allowing EU fishing boats more access to Norwegian waters, and maintained Olso's full control over fish resources in its northern waters until 1998. The deal requires little change in Oslo's control of oil concessions and its ownership of the national oil company Statoil. Norway's heavily subsidised farmers will have to adjust to much lower EU farm prices, but will be cushioned by transition funds. Norway will keep its stringent environmental regulations and its state monopoly of alcohol retailing.

With the detail of the accession terms settled, the government – backed on the issue by the opposition Hoyre, or Conservative, party – could switch its campaign to the chief motivation for joining the Union: Norway's desire to be a partner in an organisation seen as shaping the economic and political future of Europe. "Norway has a natural place in this forum," insists Mrs Brundtland.

This, however, is proving a difficult case to make in a prosperous country, which has long been satisfied with the security afforded by membership of Nato and already has most of the economic benefits of full EU membership through its participation in the European Economic Area agreement with Brussels.

Recognising this, the government deliberately engineered a sequence by which Norway will vote last on the issue – after Austria (which confirmed its entry in a referendum earlier this month), Finland and Sweden. Opinion polls show clearly that the best chance of winning a Yes vote in Norway is if Finland and especially Sweden vote Yes in their respective referendums on October 16 and November 13.

The irony of letting Sweden, Norway's former ruler, effectively decide the issue is not lost on many Norwegians. The No camp still believes it can win even if Sweden votes Yes.

A No vote would be a huge blow to Mrs Brundtland, who has made EU membership something of a personal mission. Her government would also be badly wounded, having invested so much in the belief that it can turn opinion around. The opposition parties, though themselves deeply split, would doubtless seek a repeat of 1972 when prime minister Trygve Bratteli resigned.

But Mrs Brundtland insists this will not happen. "The Labour party is prepared to continue in power in the event of a No vote in the referendum," she told the FT (*see page 3 of this survey*). "The country needs stable leadership and firm government, and in the current political situation, the Labour party is the only political force that can provide this."

Its policy under this "second best solution", she said, would be "to build on our membership of Nato, our associate membership of the WEU (Western European Union) and on the EEA agreement." A No vote is expected to have little economic effect. But the pro-EU side fears a longer-term drain on investment in the Norwegian economy, which could seriously damage the country as it begins to face the prospect of a decline in oil and gas earnings after the turn of the century.

This year, the economy looks stronger than for some time. The annual inflation rate is below 1 per cent. The current account is in surplus, and the central government deficit is set to decline. Unemployment, at an historically high 6 per cent for Norway, is stabilising.

But the economy has a core structural weakness in the narrowness of its non-oil manufacturing base, which the government and independent economists agree must be addressed. A decision to stay out of the EU would be a short-term relief to sheltered sectors such as the food processing industry. But in the longer term, much needed investment, to increase the volume of value-added production in Norway, could be jeopardised.

Studenterlunden Park, in central Oslo, a popular lunch-hour haven, abuts the Storting (parliament) building and is a short walk from the university

What if the people say no to Europe?

■ Since leading her Labour party to victory in September's general election, the main concern of prime minister Mrs Gro Harlem Brundtland has been to achieve approval for entry into the European Union.

In the 1972 referendum, the No vote was devastating for Labour. What will be the consequences for the government if the answer is the same in the referendum due on November 28? On Page 3 of this survey, the prime minister answers this and other questions.

ALSO

The economy: although most indicators are pointing upward, uncertainty lies ahead, says **Hugh Carnegy**

Can the non-oil sector fill the gap?

Norway, long bolstered by the benefits of North Sea oil, is entering a critical phase that will determine whether it can sustain its position as one of Europe's most prosperous nations into the next century.

This year, almost all the economic indicators are pointing upward after several years of recession and stagnation. The economy as a whole is set to grow by up to 4 per cent in 1994 and do even better next year. When oil and gas revenues are excluded, the forecasts still show healthy growth, with so-called mainland GDP expected by the OECD to increase by 2.25 per cent in 1994 and by 3 per cent next year.

Inflation, at less than 1 per cent a year, is among the lowest in Europe. The total government deficit for 1994 is estimated to reach 2.8 per cent of GDP, again among the lowest in western Europe. The balance of payments will show a large surplus of more than 2.5 per cent of GDP. Unemployment, the key domestic political concern, has stabilised and should fall slightly to 5.5 per cent of the workforce (although a further 3 per cent are on government training schemes).

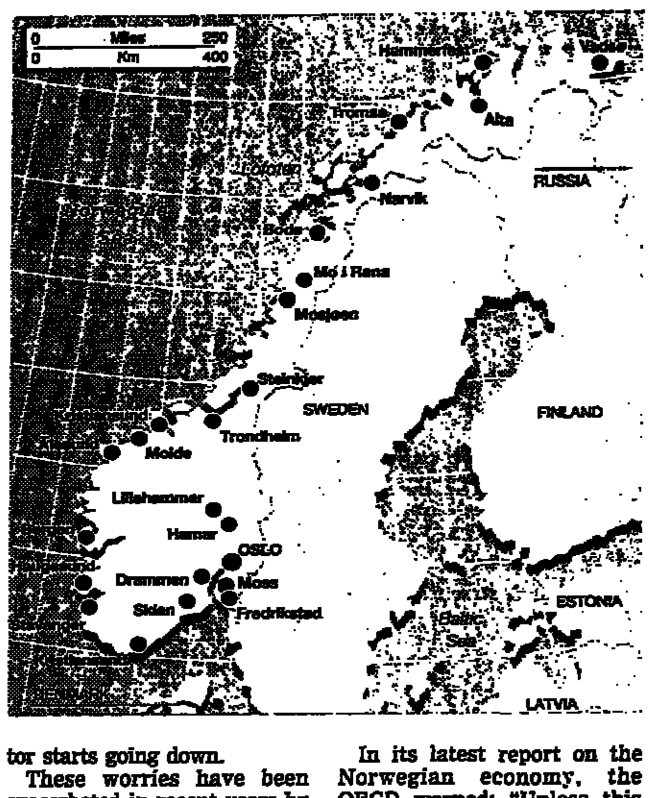
The government, the opposition Conservatives and most of the business community are in favour of joining the EU, but so far a majority of voters is still against joining

In the next few years, however, there are challenges to be faced which raise important question-marks over whether this optimistic outlook in the short-term can be extended into a pattern of steady long-term growth.

This autumn, Norwegians, along with their Nordic neighbours in Finland and Sweden, will decide in a referendum whether to join the European Union: the minority Labour government, the opposition Conservative party and the vast majority of the business community say a vote against membership would threaten already low investment flows and weaken the economy in the long term – but so far a majority of voters are still against joining.

Moreover, the stream of oil and gas revenues that has so boosted Norway over two decades is expected to start declining at least by the end of the century.

Norway has already suffered one big oil "shock", when prices fell dramatically in 1986. In the space of one year, the oil industry's contribution shrank from 18.5 per cent of GDP to 11 per cent. Over the subsequent years, heavy increases in production have pushed the figure back up to 16 per cent of GDP, but oil production will start to fall in 1996.



Natural gas revenues will help, at least for some years, to meet the shortfall. But the concern is whether the country's relatively weak non-oil economy, which is dominated by the public sector, will be strong enough to fill the gap as output from the petroleum sector starts going down.

These worries have been exacerbated in recent years by a sharp deterioration in the public finances. An expansionary fiscal policy, adopted by the Labour government since 1990 to offset the rigours of recession, has led to a deepening of the state budget deficit (as distinct from the overall consolidated government deficit) to 12.5 per cent, excluding oil-related items.

In its latest report on the Norwegian economy, the OECD warned: "Unless this deficit problem is addressed, the implications for the future would be a reduced level of government expenditures or higher taxes relative to GDP."

The government is well aware of these longer-term difficulties and has set out, in a 1994-97 programme presented to parliament last year, a strategy for dealing with them. It is based on a significant tightening of fiscal policy, a move to hold down transfer payments in favour of infrastructural investments, and a general shift in emphasis from the public to the private sector.

KEY FACTS

Area	323,877 sq km	
Population	4.248 million	
Head of State	King Harald V	
Currency	Norwegian Krone	
Exchange rate (at June 17)	$1=NKr7.0883; £1=NKR10.7808	
THE ECONOMY	**1992**	**1993**
Total GDP ($bn)	112.9	103.2
Real GDP growth (%)	3.3	2.3
Annual average % growth in:		
Consumer prices (%)	2.3	2.3
Ind. production (%)	6.4	3.9
Crude oil production (%)	14.2	7.6
Gas production (%)	1.8	1.8
Retail sales volume (%)	3.1	0.1
Share price index (%)*	-10.7	41.8
Unemployment rate (%)	5.9	6.0
At year end:		
Discount rate (%)	11.0	7.0
Govt. bond yield (%)	9.4	6.0
Trade ($bn):		
Current account balance	2.9	2.4
Merchandise exports	35.2	31.8
Merchandise imports	26.2	23.8
Trade balance	9.0	8.0

*% growth over previous 12 months to December 31
Sources: IMF, OECD, Datastream

Mr Svien Harald Oygard, the senior official at the finance ministry, says that already the effects of this programme are beginning to be felt. This year, public expenditure will rise by less than 1 per cent – well below the levels of GDP growth. The growth in the public sector's share of employment, which rose from 23 per cent to 30 per cent from 1980 to 1992, is set to stop.

Low recent wage settlements, a weakening of the value of the Norwegian krona since it was floated in late 1992 and a steady fall in interest rates over the past year have helped produce a significant improvement in the cost-competitiveness of Norwegian industry.

"We feel now that we are achieving growth that has a sounder base, with further strengthening of our competitiveness and increased investments, and growth that is better balanced between the public and private sectors," says Mr Oygard. "I believe we will continue with an ambitious incomes policy and quite a strong tightening of fiscal policy to allow room for a monetary policy that is not so tight."

Mr Steinar Juell, chief economist for Christiania Bank, gives the government credit for so far sticking to its programme to get the public finances under a tighter rein. But he still sees some warning lights in the longer-term perspective.

He remains afraid that inflationary pressures will resurface as unemployment comes down, and is worried by some evidence – such as a smart recovery in car sales - that private consumption might return to unhealthy levels. It is estimated to increase by 3 per cent this year.

Although the savings ratio, at more than 5 per cent, is still comfortably positive – compared with alarmingly negative in the late 1980s – it is once again falling. "The turnaround has been much stronger than I had expected," says Mr Juell. "I thought people had longer memories and would be more careful."

Mr Juell and the OECD also share worries about the need for further structural reforms in the economy. Among these are the so-called sheltered sector of the economy – industries such as agriculture and food-processing – which are protected by subsidies and import controls.

If Norway votes to join the EU, such protections will have to be progressively removed. With agricultural assistance making up 77 per cent of producer income, some 75 per cent more than the OECD average, reforms are seen as essential in the long term to achieving a competitive and vigorous agro-industry. But staying outside the EU would remove the incentive to achieve such changes.

An expansionary fiscal policy, adopted by the Labour government since 1990 to offset the rigours of recession, has led to a deepening of the state budget deficit

Tackling such issues is a necessary part of preparing the Norwegian economy for the time when oil revenues decline. "It is not possible to do that much [to prepare for the post-oil era] without adopting a centrally-planned economy. It is therefore all the more important to emphasise the competitivity of manufacturing industry," says Mr Juell. "We must avoid the mistakes of the 1970s and 1980s. We have to keep wages and inflation under control and eliminate the budget deficit. Then it will be easier to create alternative employment."

Foreign policy: the country's role as peace-broker has led to new tensions at home

Nato still seen as the basis for security

There can have been few moments in the near nine decades since Norway gained its independence from Sweden in 1905 when the country's international reputation stood as high as it did last year, when it helped pull off the historic peace accord between Israel and the Palestine Liberation Organisation.

The months of providing secret settings for the talks and occasionally sensitive mediation between two of the world's most bitter enemies paid off, not just in the agreement signed on the White House lawn, but also in a burst of goodwill and appreciation for Norway from around the world.

It was a reward for a foreign policy long pursued by Norway to be an independent nation, standing outside big power blocks, which, with the help of generous aid contributions, can play a role in promoting peace and stability on a scale beyond its small size and remote northern location.

But, at least since the second world war, when Norway was occupied by the Nazis, there has been another side to this coin. With the experience of the war fresh in the nation's mind, and the cold war with the neighbouring Soviet Union deepening, Norway became a founder member of the North Atlantic Treaty Organisation (Nato) in 1949.

Now, within months of concluding the Israel-PLO accord, Norway has concluded an agreement with Brussels to join the European Union, a step deliberately taken to ensure that the country stands inside the organisation seen as driving long-term political and economic strategy in Europe.

The Middle East peace accord led to a burst of goodwill for Norway from around the world.

The Norwegian electorate has once before rejected membership of the European Community, in a referendum in 1972. As the campaign builds for the new referendum in November, the tension between the two aspects of Norwegian foreign policy are again evident – and could have an effect on the outcome of the vote.

"Norway has a strong tradition of idealism in foreign policy and a weak strain of *realpolitik*," says Mr Nils Morten Udgaard, a foreign policy commentator for the daily newspaper Aftenposten. "What happened in the Middle East is part of the idealistic tradition. If the idealistic tradition becomes too strong, it could suppress those features of *realpolitik* such as relationships with the large European countries."

The so-called idealistic side of foreign policy identified by Mr Udgaard is certainly strongly in evidence at present. In the Middle East alone, Norway now has nine areas of involvement. These include: chairing a donors group responsible for steering international aid funds to the new Palestinian self-rule authority, and provision of observers helping in the effort to suppress violence in the West Bank town of Hebron.

Norway has also been deeply involved in efforts to bring peace to former Yugoslavia, with its former foreign minister, Mr Thorvald Stoltenberg, acting as the United Nations peace envoy. It has, since 1990, been helping to mediate between the two sides in the internal conflict in Guatemala. Lately, Norway has hosted at least one meeting to probe ways of achieving peace in Sudan.

Such involvements have grown out of a Norwegian commitment to providing foreign assistance that has seen aid efforts extended to 100 countries over the past 30 years. Mr Jan Egeland, the deputy foreign minister who was closely involved in the Israel-PLO talks, says the Norwegian method of administering assistance through non-governmental agencies has allowed Oslo to build up trust, and to provide discreet channels of communication between warring parties without involving large numbers of government officials.

Those campaigning to keep Norway out of the EU are afraid that this role – and the invaluable international prestige it has won the country – will be jeopardised by joining a union committed to harmonising foreign policy stances.

But Mr Egeland insists that this is not so. "We will not change our foreign policy by joining the EU. There is nothing involved in membership that will stop us taking initiatives for peace and democracy around the world, covert or overt. In fact, joining the EU will be a net gain for us, because we could rely on the networks of the EU, especially in follow-up work."

Norway has also been deeply involved in efforts to bring peace to the former Yugoslavia

The government is nevertheless acutely aware that the EU's commitment under the 1991 Maastricht treaty, to work towards common foreign and strategic policies, is regarded with deep suspicion by many Norwegians wedded to Oslo's role as an independent peace-broker.

This may seem in conflict with the country's long-established and long-accepted membership of Nato. But Nato membership is seen as a vital element in the country's defence policy, distinct from deeper political involvement in Europe. The government is therefore stressing that Norway wants to see the maintainance of Nato as the key to the country's security, and does not intend to upgrade its current observer status within the Western European Union.

"Norway has two feet – one Atlantic foot and one European foot," says Mr Egeland. "This makes us feel very strongly that we need Nato for the Atlantic leg."

Norway, the government argues, must join the EU to be able to influence developments in Europe. "We should go in to be able to shape events in our part of the world. It is better to sit at the table than to stand out in the hallway," says Mr Egeland.

With a strong currency, low inflation and a relatively small budget deficit, Oslo is also a potential "core" member of the drive towards a European Monetary Union set out at Maastricht. But talk of any kind of political union is unpopular and played down by the government.

"The problem is," says Nils Morten Udgaard, of Aftenposten, "that the decisive issue in the EU debate is solely political, and that is very difficult to sell."

Hugh Carnegy

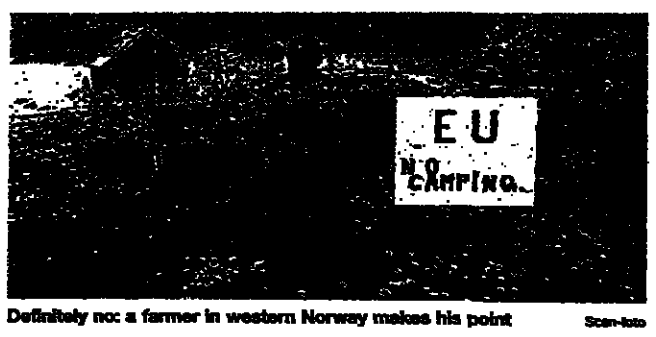
Hugh Carnegy finds most Norwegians are still Eurosceptics

Trying to win it the Ali way

At first sight, the bid by prime minister Gro Harlem Brundtland's minority Labour government to persuade Norwegians to join the European Union looks like an exercise in political masochism.

In 1972, Norwegians voted no in an earlier referendum on the question, after a bitterly divisive campaign that toppled the Labour administration of the day and prompted the resignation of the then prime minister, Mr Trygve Bratteli. Twenty-two years on, the country appears to be, if anything, more hostile to EU membership. Opinion polls have for months shown opposition – excluding undecided voters – at around 55 per cent, ahead of the 53.5 per cent majority achieved by the No side in 1972.

Senior government officials freely acknowledge that the task of reversing this obstinate trend in time for this year's referendum on November 28 will be, at best, extremely difficult. "We have said all along that if we get the campaign right, we have a chance. But if we get it wrong, we have no chance at all," says an aide to Mrs Brundtland.



Definitely no: a farmer in western Norway makes his point *Scan-foto*

To that end, the emphasis from the government side to date has been on preparing the ground for a Yes campaign that will not move into top gear until after the summer holidays, rather than campaigning itself. This is partly to ensure that the Labour party, in particular, does not splinter over the issue despite the anti-EU stance of many of its supporters. But it is also a deliberate attempt to try to draw the sting of the No side before the last vital few weeks of the campaign.

The prime minister's aide likened the tactics to those once employed by former world heavyweight boxing champion Mohammed Ali. "We will take all the punishment and then try to hit them at the end."

So far, the government's plan has gone well – notwithstanding the lack of movement in the opinion polls. Labour survived a surge in last autumn's general election by the fiercely anti-EU Centre party which saw the opposition Conservative party - the strongest advocate of EU membership - knocked back into third place in numbers of seats in the Storting (parliament).

The accession agreement secured with Brussels in March was accepted as favourable by key sceptics in the government, notably Mr Jan Henry Olsen, the fisheries minister. Lately, a Labour party congress has seemed set to endorse EU membership as official party policy.

Above all, the Yes vote in this month's Austrian referendum has started a ball rolling, which Mrs Brundtland hopes will pick up speed with a Yes vote in fellow applicants Finland and Sweden in October and mid-November, creating a momentum which will turn the issue her way in Norway.

Crucially, opinion polls in Norway have shown a small majority for joining the EU if neighbouring Sweden, where opposition is also still very strong, decides to join. EU supporters believe large numbers of voters – perhaps 40 per cent or more – are still undecided or persuadable.

Continued on facing page

Divided over Europe

Continued from facing page

Mr Johan J. Jakobsen, former leader of the Centre party, now leader of its parliamentary group and a leading figure in the well-organised No campaign, admits that a Swedish Yes vote would make for "a very close race" in Norway. The other side of the coin, however, is that a Swedish No would all but ensure a Norwegian No. Given the great uncertainty that still surrounds the outcome in Sweden, the No side in Norway remains extremely confident that it will prevail.

In 1972, the key factors in the No victory were the fear of the politically-important fishing communities that allowing outside fishermen access to Norwegian waters would devastate already depleted stocks, and a broader fear that a process of population shift away from Norway's remote northern regions would be accelerated by membership.

There are strong echoes of these themes again in the new No campaign. "The main issue is the question of democracy," says Mr Jakobsen. "Many Norwegians feel the EU is developing in a direction in which democracy will be diminished. They are against an integrated, federal Europe. They fear we will have no influence and too much power will lie in the hands of bureaucrats."

Secondly, he says, there is a fear that Norway's control over its natural resources – its oil and gas, its fisheries, minerals and water – will be subjugated to policy made in Brussels. This in turn, he says, will mean Norway will have less ability to sustain its policies of sustaining rural communities through big regional and agricultural subsidies and of maintaining the extensive welfare system.

The Yes campaign acknowledges the potency of these arguments in a country jealous of its independence, which it won from Sweden only in 1905 and which was interrupted traumatically by Nazi occupation during the second world war.

"I believe if you analyse all the important elements in the popular resistance to membership, it boils down to uncertainty, fear and insecurity about everything from defence to unemployment," says Mr Arve Thorvik, leader of a group of prominent people who campaigned for a No vote in 1972, but now favour membership.

The Yes side's attempts to overcome these fears have so far been ineffective, however. Norway's membership of the European Economic Area market access agreement with the EU means most of the trade benefits of full membership have already been achieved. Politically, the argument that Norway, already a member of Nato, needs to deepen its involvement in European moves towards common security policies is undermined by conflicting signals coming from inside the union of what its existing members want to achieve.

"We have to sell an argument that is hard to sell these days, and that is solidarity," says Mr Thorvik. "There is no immediate economic argument for entry, the main argument is political and it is difficult to sell an EU which itself is lacking in direction."

What the Yes side is left with is the worry that Norway will be left isolated if it stays outside the EU. But Mr Jakobsen is unimpressed by this line of attack. "We are not afraid of that," he says. "Norway is in Nato and plays a role in so many international organisations. Norway will always be an interesting partner for other countries."

The prime minister replies to questions put to her by **Hugh Carnegy**

'We'd survive a No vote'

Mrs Gro Harlem Brundtland first became prime minister in 1981, and has gone on to become the dominant figure of her generation in Norwegian politics.

Since leading her Labour party to victory in last September's general election, her overriding concern has been to achieve approval for Norwegian entry into the European Union in a referendum due on November 28 this year.

It is a project that flies in the face of heavy popular opposition. If she fails to win a Yes vote, her future as prime minister will inevitably be cast into doubt. Mrs Brundtland answered the following questions for this survey.

Q: What are the issues upon which you will fight the campaign for a Yes vote in November?

A: The accession treaty (agreed with Brussels in March) shows that Norway is welcome in the EU. It includes satisfactory solutions to issues of vital importance to us, such as control over natural resources and an active regional policy. Norway would benefit from participation in the decision-making process in the EU, and would use its influence to intensify co-operation to promote employment, equitable social development, environmental protection and peace between the countries of Europe. As a member of the EU, we would continue to pursue the main lines of the economic and foreign policy we have followed throughout the post-war period. Norway has a natural place in this forum.

Q: If Norway votes No, as it did in 1972, what will be the consequences for the country?

A: If the country votes against membership, we shall have to build on our membership of Nato, our associate membership of the WEU (Western European Union) and on the EEA (European Economic Area) agreement. This would obviously be a second-best solution and would give Norway less influence on developments in Europe, developments on which we are extremely dependent given our open economy and strong ties to Western Europe.

'We would continue to pursue the main lines of the economic and foreign policy we have followed since the war'

Mrs Gro Harlem Brundtland: dominant in her generation Ashley Ashwood

Q: In 1972, the No vote was devastating for Labour. What would be the consequences for you personally and for the party if you fail once again?

A: The Labour party has conducted a thorough, open and broad-based debate on the EU issue for several years. Despite disagreement (within the party) on the issue, the way it has been dealt with has helped to strengthen the party. At the same time, the party leadership and the government has made it clear that the referendum will decide the issue, and the result will be respected by all our members. The Labour party is thus also prepared to continue in power in the event of a No vote. The country needs stable leadership and firm government and, in the current political situation, the Labour party is the political force that can provide this.

Q: As a member of the EU what would Norway's attitude be in the debate about the future shape of the Union?

A: The EU is based upon close co-operation between independent states. This co-operation must be developed gradually, with a view to meeting challenges and resolving problems that cannot be dealt with by countries on their own. We are in favour of stronger decision-making mechanisms in areas where it is necessary to intensify efforts to promote sustainable development and stimulate employment. At the same time we subscribe to the principle of subsidiarity.

'The economy's cost competitiveness has improved considerably, and prospects for the mainland are better'

Q: With oil production soon set to start falling, there appears to be an inherent weakness in the mainland economy, which threatens the long-term prospects for the economy as a whole. What are you doing to address this?

A: The government has pursued a policy in which the fiscal and structural policy measures have been designed precisely to stimulate economic development and employment in the mainland economy. There are many signs that this is now yielding results. We are making active use of the public budgets to increase employment; strengthen the private sector and invest in expertise and other infrastructure. Now that the economy has entered a phase of relatively vigorous growth, it is important to strengthen the country's financial position. The deficit on the fiscal budget will also be reduced this year and further next year. It is true that our oil production will be reduced in a few years' time, but given the increase in gas production, the production on the Norwegian shelf will continue to be a mainstay of the economy for many years to come. Increased production on mainland Norway will therefore enable us to maintain balanced growth. The cost-competitiveness of the Norwegian economy has improved considerably, and the prospects for the mainland economy are better now that they were a few years ago. This means we are becoming less dependent on oil.

'There's no such thing as the end of history,' says the party leader facing a huge struggle

Lawyer, 47, accepts daunting brief

Mr Jan Petersen, the new leader of Hoyre, Norway's Conservative party, has a political mountain to climb.

Beaten into third place in last September's general election by the Centre party, Hoyre's traditional position as the main opposition to the ruling Labour party has rarely been so under threat. With deep differences now dividing Hoyre and the Centre party, the prospect of the Conservatives again leading a non-socialist coalition government, as they did in the 1980s, appears remote.

But Mr Petersen, a 47-year-old lawyer with 13 years experience in the Storting, is undaunted. He faces, he admits, a marathon task. But, he insists: "There is no such thing as the end of history. The surest thing in politics is that it is very difficult to make predictions. We have to believe that we will make it into government again."

The last time Hoyre led a government was as recently as 1990. But the administration collapsed after barely a year in office, irrepairably split between Hoyre's strong advocacy of Norwegian membership of the European Union and the equally strong anti-EU stance of the Centre party.

The low point for Hoyre came in last year's election when the party was for the first time overtaken as the biggest non-socialist party by the Centre party, winning less than 20 per cent of the vote. It was a far cry from the party's heyday in the early 1980s when, under former Prime Minister Kare Willoch, Hoyre polled almost 32 per cent of the vote.

After the September debacle, Mrs Kaci Kullman Five resigned as party leader. In April, Hoyre turned to the bearded, self-effacing Mr Petersen. The new leader's politics are in the centre of the conservative stream. For most of the past 10 years he has concentrated on foreign affairs, leaving him with a low domestic profile.

But he intends to make a virtue of this, casting himself as a responsible leader of a credible alternative government. Once November's referendum on joining the EU is over – a campaign in which Hoyre supports the Labour government – Mr Petersen will place the emphasis on the need to stem Norway's government deficit and inject more market-oriented policies.

"We should try to move in the direction of freedom of choice in Norwegian affairs ... a lot of people are fed up with what they perceive as the arrogance of the government. Labour is definitely not the 'natural' party of government. Very slowly, we are moving upwards again."

Hugh Carnegy

Jan Petersen, with 13 years in the Storting, is Hoyre's new leader

Karen Fossli finds non-oil industry has benefited from lower costs

Contemplating Europe

Norway's non-oil industry last year clawed its way out of the doldrums, where it had been trapped for more than five years.

The return to profitability has been spurred to a great extent by an improvement in the domestic economy, which was helped by a sharp increase in oil activity, rather then a marked improvement in main export markets.

For the past two decades, the country's land-based industry has remained largely in the shadow of the petroleum industry. "The manufacturing sector has been driven mostly by the oil industry, which has entered a period of decline," according to Mr Tor Steig, the chief economist at the Confederation of Business and Industry (NHO).

This means that the prospects for the sector are mixed: the driving force of oil industry is entering a downturn, while export markets are only beginning to show signs of recovery. This means that investments in capacity are likely to remain on hold until export markets pick up momentum and the issue of membership of the European Union is clarified.

Norwegian industrial competitiveness has nevertheless improved sharply over the past few years, mostly because of modest wage settlements and improved cost-competitiveness, rather than domestic currency weakness.

A recent report on Norway, by analysts at Kleinwort Benson, concluded that the Norwegian cost base in 1977 was an estimated 26 per cent higher than that of its main competitors, but has since narrowed to about 11 per cent, having improved by as much as 8.6 per cent over the past year. The differential is forecast to narrow to 2 per cent by the end of 1995.

In many ways Norway could be compared to a developing country, for its main exports consist mainly of raw materials rather than finished products. Manufacturing industry accounts for just 15 per cent of gross domestic product, which is considered a minimum for modern industrialised countries.

And with the uncertainty over Norway's vote on membership of the European Union later this year, investments on expanding domestic capacity will remain on hold, despite improvements in export exports. EU membership is the single biggest issue concentrating the minds of companies which rely on exports and which already have a high concentration of operations outside Norway. NHO, which represents 11,000 companies which provide jobs for over 400,000 people, has urged its members to vote yes in the referendum.

Nearly 90 per cent of industrial leaders polled said EU membership would have a positive effect

In a recent survey, nearly 90 per cent of 310 industrial leaders polled said membership would have a positive effect on business and industry.

With the exception of the food-processing industry, many of Norway's industrial leaders believe that membership will lead to lower costs and higher exports. Every fourth industrial leader polled in the survey also believed EU membership would lead to greater investment in plant and operations in Norway. Not surprisingly, EU optimism rises almost in direct proportion to the level of exports of the companies polled, and it is the export-driven companies that plan to increase domestic investment in plant and operations if Norway's becomes a member.

Although the poll could not establish a direct link between EU membership and plans to relocate production outside Norway, several of the country's business and industrial leaders have cautioned that it may be necessary to do just that.

Foreign investors are also wary of providing risk capital to companies that face the prospect of remaining outside the EU – in spite of Norway's membership of the European Economic Area, the largest free-trade zone in the world.

Investments in industry have been declining for several years, and while the government is optimistic that overall investment in Norway will regain momentum this year, investment in manufacturing industry may even decline until the results of the referendum are known.

The government, however, forecasts that investment by non-oil industry will increase by 5.25 per cent this year and that the mainland economy will expand by 3.5 per cent.

Mr Steig believes the government's forecast for private consumption, at 3 per cent, is grossly underestimated and that it is more likley to grow by 8 per cent. He says that each percentage point increase in private consumption translates into NKr800m in extra VAT revenue for the government, and in 1994 could create 20,000 jobs, but that industry will nevertheless in future rely more on exports than on domestic private consumption as its main fuel for growth.

NHO is optimistic about the prospects for mainland industry, whose order book rose by 9 per cent from the third quarter of last year until this year's first quarter, with exports to Europe's automobile industry being the driving force.

The order book for the metals industry alone rose by 11 per cent in the same period, but Mr Steig points out that the Norwegian economy is at an early stage in the overall upturn of the European economic cycle.

One of the stronger sectors emerging is the furniture industry, whose exports soared by 13 per cent between last year's third quarter and this year's first quarter interim. After near collapse, caused by Norway's recession, the industry reoriented its strategy towards exports.

Mr Arve Thovik, head of the Federation of Norwegian Process and Manufacturing Industries, is cautious in his optimism about the strength of Norway's export markets. "Until Europe finds its way, it will be difficult for Norway, as the future production patterns of Europe are only just being established," he believes.

Mr Thorvik thinks membership of the EU would allow Norwegian land-based industry to remain in Norway, in spite of the distance to markets, higher taxes and higher costs. "If we join, we know we will be part of the structural decisions to be taken in the EU, and this will affect our investment decisions and long-term strategies. The uncertainty will be removed," he said.

In the event of a No vote, Mr Thorvik does not believe there will be a mass exodus of industry from Norway, but that investment in capacity will be made in companies with operations outside Norway, causing value creation for Norwegian industry to stop up.

He heads a lobbying group called "From Nei til Ja" ("From No to Yes"), consisting of members who rejected membership in 1972 but will vote yes in November. "I would rather see Norway enter the EU ready and willing than a Norway which grudgingly backs into the EU like some other countries have," he said.

Profile: Kvaerner

Now for China

When, in 1988, Erik Tonseth took the helm of Kvaerner, Norway's second biggest publicly-quoted group, he started to look for a yard which could be acquired to build ships for the company's fleet.

Little more than five years later, Kvaerner has become Europe's biggest shipbuilder, and one of the three biggest in the world, and Mr Tonseth has led a successful expansion of the group in which sales and profits have more than tripled.

About 35 per cent of Kvaerner's sales are generated from shipbuilding; oil and gas contracting contribute 30 per cent, mechanical engineering 20 per cent, pulping 11 per cent, and shipping 4 per cent.

Shipbuilding revenue is expected to increase by NKr1.5bn to NKr10bn in 1994.

But Mr Tonseth is in no doubt about the effect a No vote on EU membership would have on Kvaerner's future: "We would have to consider if it would be good for us to remain in Norway. About 40 per cent of our shareholders are outside Norway, along with two-thirds of our employees. Both these proportions will increase substantially in future, so we could not afford to remain in a closed, nationalistic environment."

Although Norway's long tradition as a maritime nation has probably been the single biggest factor influencing Kvaerner's industrial participation, Mr Tonseth does not believe the country is unique. "We could be in Switzerland as a financial holding company and survive, but we could not have a vigorous, active management based there. We could be in Britain or elsewhere… But wherever we are, it must be in an environment where there is interest in our industry."

Kvaerner's expansion into shipbuilding began in the summer of 1988, when the group acquired the loss-making Govan shipyard on the Clyde, in Scotland. The plan was to build gas carriers for Kvaerner's fleet. Five years later, the long-troubled yard achieved its first profit in 30 years. And this year it is forecast to make a profit of $5m.

"In retrospect, the acquisition was not the best decision," admitted Mr Tonseth. "We had many ex-shipbuilders but no active shipbuilding organisation, and then to buy a yard which desperately needed new management and a new way of thinking was a fairly ambitious move.

Erik Tonseth now says the Govan purchase was not the best decision

"Govan also needed total support from its new owner. At the time, Kvaerner was not really in a position to give this level of support to the yard, which is why it took so long for us to turn it around."

Kvaerner's strategy was then to acquire a yard which could not only meet the group's internal demand for ships but could also participate in an upswing in shipbuilding foreseen by the group, and without requiring huge investments.

"We believed that, with our resources, we could become a major factor in this industry. We were very convinced that by 1995 the shipbuilding market would improve. So, establishing that strategy, we bought the Masa-Yards in Finland and four small yards in Norway."

The acquisition of the four Kleven yards has been a success for Kvaerner. "These yards already had good management and a good reputation in the market," explained Mr Tonseth. "With our resources, they were able to take on bigger engagements than they otherwise could have managed, because of their fairly limited financial flexibility. These yards are regarded among the world's best when it comes to building chemical carriers and reefers."

The acquisition of Masa-Yards has also been a success. The two yards, in Aabo and Helsinki, are among the most technologically advanced in the world, and came equipped with strong leadership and expertise.

It also helped the yards' competitiveness when Finland floated the domestic currency in 1992, resulting in a devaluation of the markka. This underpinned the yards' bid to win a substantial contract last year – in competition with Japanese and Korean yards – to build four LNG carriers for the Abu Dhabi National oil company.

"The Masa-Yards have a proud history, and were basically good yards which needed a willing shareholder to help them realise their potential. They have done outstanding work and this has become a successful marriage," Mr Tonseth said.

Last year, Kvaerner acquired Warnow Werft, in Rostock, in eastern Germany for a symbolic sum and a pledge to modernise the yard which is about 30 per cent complete. While it is too early to judge whether Warnow has been a successful acquisition, it did achieve satisfactory results in 1993, and operations exceeded expectations.

"Our motivation to acquire Warnow was not specifically with shipbuilding in mind, but for Kvaerner to secure a major industrial engagement in Germany," explained Mr Tonseth. "In retrospect, I would say that we have fulfilled expectations relating to the yard, which has advanced significantly since we became involved."

Kvaerner's next objective for is to establish a bridgehead in China. The group is currently seeking to negotiate a joint venture with the Chinese in the Dalian New Shipyard. "If China is a waiting game, there is no urgency on our part," said Mr Tonseth.

Karen Fossil

The banks look healthier after a period of crisis, writes **Karen Fossli**

The state maintains its grip

After a gruelling five-year period of consolidation and massive credit losses, Norway's banks returned to profit in 1993, emerging from the country's worst banking crisis since the war.

A near-crash of several banks forced the government to undertake a far-reaching rescue operation, which subsequently made the state the biggest shareholder in the top three commercial banks, in what is proving to be a lucrative investment.

During the past five years, the commercial banks alone were forced to cut staff by a third, close 40 per cent of their domestic branches, retrench from foreign operations and reduce operating costs by nearly 30 per cent in real terms.

Only this year have they been able to concentrate efforts on maintaining market share, though concern is being expressed over what appears to be relaxation of lending practices in the face of heated competition – a key element of the crisis, which engulfed the banks in the first place and resulted in unprecedented high levels of credit losses.

Nevertheless, the banks' asset quality during the past year has improved, helped by a steady upturn in Norway's oil-dependent economy, which is rebounding from a seven-year recession that began when world crude oil prices in 1986 plunged to their lowest level in more than a decade.

Because of the economy's upturn, which began last year, the banks have seen a consistent decline in the level of non-performing loans during the past few quarters, and consequently improvement in loan loss provisions.

Despite the banks' improved health, the minority Labour government has stressed that the state will maintain until further notice a majority shareholding of at least 50 per cent of Christiania Bank and Den norske Bank (DnB), the country's two biggest banks. The state also owns all the share capital of Fokus Bank, the third biggest commercial bank, which it is likely to shed.

The state last year, however, reduced its stake in Christiania Bank to 68.9 per cent, from 98.8 per cent. But last December the it lifted its DnB shareholding to 87.5 per cent from 69 per cent in an unpopular move in which it converted NKr3.5bn in preference capital, which it had invested in DnB, into 350m shares to once again shore up the bank's weak foundation.

The preference capital was converted into shares with a face value of NKr10, but with DnB's shares trading at an average of about NKr18 this year on the Oslo bourse, the move by the state was not only astute but also quite lucrative.

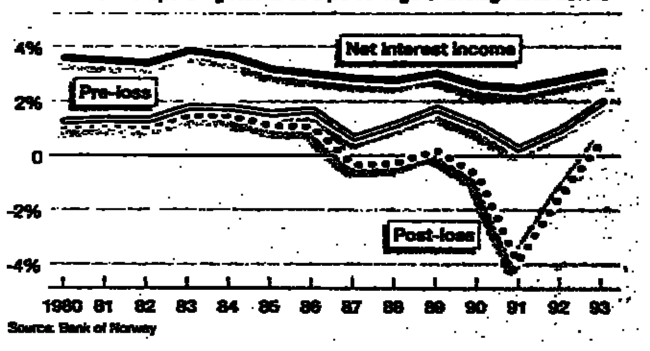
Since 199,1 Christiania has received more than NKr9bn in state support, while DnB has received more than NKr7bn, but the government has not escaped criticism of the way it handled the crisis.

A report published recently pointed out that the Bank of Norway, which has been in charge of administrating the state's shareholding and investments in the banks, has earned more than NKr18bn from the banking crisis – at the expense of the banks' former shareholders who were, in some cases, forced to nullify the value of their bank shares – in the form of shareholdings and interest on loans supplied to the banks by the central bank when the banks, suffering from a lack of foreigners' confidence, had difficulty in raising capital outside Norway.

Nevertheless, the government has pronounced the banking crisis dead and, for the first time in many years, Christiania was able to tap the domestic market for capital. Last December, it raised NKr1.88bn in fresh equity through a successful share issue. It helped that the bank had reduced net non-performing loans to 5.6 per cent of total loans at the end of 1993, from 7.1 per cent at end-1992, and that the outlook for the economy was bright and expected to be brighter this year and next.

Commercial banks

Net income and operating results as a percentage of average total assets



Source: Bank of Norway

DnB is currently finalising plans to undertake a share issue in the second quarter of this year, to raise about NKr2bn. Of this, NKr1bn will represent a share capital increase, while the remainder will derive from a sale of DnB's shares held by the state.

Both Christiania and DnB returned to profit last year, benefiting substantially from securities' gains resulting primarily from a rise in bond prices as domestic interest rates fell sharply. Underlying performances improved, however, and should be sustained if the banks have learned the lessons of past sins and avoid the lure of rapid credit expansion to boost market share.

Norway's regulators are beginning to express concern over just that issue. Recently the Banking, Insurance and Securities Commission (BISC), the industry watchdog, decided to survey the banks' routines for issuing housing loans. The BISC is uneasy over a sharp rise in housing prices, which it believes may be caused by competition among the banks to finance loans to the highest degree possible, irrespective of property values.

However, Mr Trond Reinertsen, managing director of the Norwgian Banks Association, shrugged off suggestions that the banks may fall into old routines. "Credit demand will grow in line with growth of domestic consumption, perhaps a little stronger," he said. Credit demand in the past year has been moderate, increasing by between 1 and 2 per cent, while the banks have seen credit expansion of nearly 7 per cent.

Mr Reinertsen argues that this level of growth is only natural, following a five-year period in which there has been little credit demand as households have struggled to reduce debt and consolidate savings in the midst of Norway's recession.

"This is not a credit-financed expansion but credit financed by growth in incomes," he explained, adding that Norway's economy is currently strong, rising from a very low level. "It has been a number of years since there has been credit expansion."

According to the government, the economy showed strong growth in the second half of 1993, and mainland GDP (excluding oil and shipping) grew by nearly 2.6 per cent from 1992 to 1993. The government is predicting a further upturn in the mainland economy this year, fuelled by increased private consumption and housing investments.

The household savings ratio is expected to fall by one percentage point to about 4.25 per cent this year and total GDP growth is forecast at 4.0 per cent.

Investment in the mainland economy is forecast to increase by 5.25 per cent this year, while investment in the petroleum sector is expected to plummet by 8 per cent after hitting a historically high level in 1993.

Mr Reinertsen warns, however, that the issue facing policymakers is to cut back on government spending to allow private consumption to expand further. Government spending, currently about 8 per cent of GDP, must be reined in, he says. By comparison, the Bank of Norway estimates the banks' underlying credit expansion at close to 11 per cent in the past year, and believes the expansion has been between 9 and 11 per cent during recent months.

Mr Sighjoern Johnsen, finance minister, recently warned the banks not succumb to past habits. "We are not in a position to repeat the mistakes of the 1980s," he said. "There are recent examples which suggest that the lessons learned from the past have yet to take hold," he told a recent conference.

Norway's savings banks account for the strongest growth in housing lending, while the commercial banks' growth has been fuelled more by corporate lending. The savings banks, since 1987, have boosted their market share for private loans to 38 per cent from 28 per cent, at the expense of commercial banks whose market share shrunk to 21 per cent from 28 per cent.

In March, Christiania, DnB and Union Bank of Norway, the country's biggest savings bank, received a fillip when the IBCA, London-based rating agency, upgraded the individual, short-term and long-term ratings of the banks, reflecting their return to profit last year, the positive outlook for the economy and the continuing strong support of the state.

Energy: the oil's running low – turn up the gas. **Karen Fossli** reports

Not much left on the shelf

The era of Norwegian "elephant" size oil discoveries, as they are known in the industry, is over. While it is too early to write the country's obituary as an oil producer, there is little geological evidence that current levels of oil production can be sustained beyond the decade.

Currently western Europe's biggest oil producer, with daily output of more than 2.4m barrels, Norway's ranking would have fallen behind Britain this year had the government not opened the oil taps full-bore, to compensate for a loss in revenue caused by weak oil prices and a weaker dollar.

According to forecasts by Wood Mackenzie, the Edinburgh-based energy consultant, crude oil production will hit 2.67m barrels a day this year and rise to 2.82m b/d in 1995, before peaking at a daily rate of 2.85m barrels in 1996.

In 1993, the state's net petroleum revenue comprised slightly less than 10 per cent of total revenue, while petroleum exports accounted for one third of total exports, and related investments represented one third of total Norwegian investment. Petroleum also represented 15 per cent of GNP.

Total capital expenditure in the offshore petroleum sector last year peaked at a record estimated NKr60bn, 7.5 per cent of GDP, and may have added substantially to mainland GDP, because oil equipment goods – production platforms in particular – are, for a large part, manufactured by land-based industry.

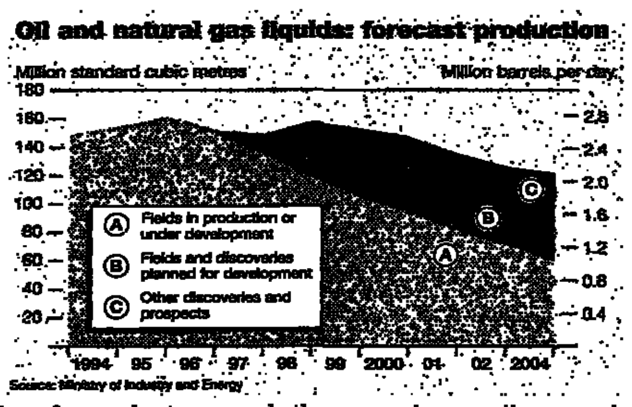
But there is no immediate prospect of any new, significant oil *discoveries* being made on the Norwegian continental shelf. The last big discovery – Norne, made in 1986 – is expected to yield peak annual production of around 15m barrels of oil a year, just 12 per cent of that of the giant Statfjord field, discovered 20 years ago, at the dawn of Norway's oil age.

The size of new discoveries is expected to diminish to an average 20m tonnes of oil equivalent, compared with 90m tonnes for fields now producing, and 40m tonnes for those currently being developed.

Earlier this year, the government proposed a comprehensive overhaul of energy policy, and more recently scrapped immediate plans to sharpen petroleum taxes – both moves in a desperate attempt to stimulate petroleum activities to stem the awaited steep decline in oil output.

In a white paper presented in March, the government called for exploration acreage to be expanded by 16 per cent, and for reform of rules for exploring in the Barents Sea, to make it more attractive. It also intends to speed up the process for approving oil discoveries for development, and a number of proposals have been made to streamline licensing rules and management of the state's oil and gas resources.

Oil and natural gas liquids: forecast production



Source: Ministry of Industry and Energy

Norway has little choice but to stimulate oil activity; not only is output set to decline dramatically, but stiff competition *has emerged* from oil regions elsewhere in the world vying for investment.

For the first time in many years, foreign oil companies operating in Norway are having to fight for funds from headquarters to maintain investment. Several are even undertaking substantial streamlining operations, in which staff levels are being cut sharply.

Earlier this year, the French oil company Total announced a strategic reorientation in which it closed its office in Stavanger, Norway's oil capital, retrenched to Oslo, cut staff from 150 to 100 – all to achieve annual cost savings of more than NKr20m.

Total has also warned that interest in Norway's next licensing round, for which new acreage will be put on offer next year, will be kept at a minimum unless the country's draconian tax regime is realigned to reflect the reality of current oil prices.

In Norway's 14th licensing round last year, both Esso and Shell refused to apply for *high-risk acreage, and* subsequently withdrew from bidding in protest against stringent operating conditions.

Mobil recently announced that it would complete a reorganisation of its drilling department in August, after finishing its last well as operator.

"With no wells to drill, we cannot justify keeping together a drilling group sized as we are to drill wells and accomplish the myriad of other activities associated with being an active operator," drilling manager Iain Montgomery told staff.

Elf Aquitaine this month revealed plans for a dramatic reduction in staff in Stavanger, and numerous other oil companies are reluctant to embark on new development *projects while oil prices remain* weak and petroleum taxes high.

Investment in the petroleum sector is expected to fall by 8 per cent this year, and will decline dramatically within the next two years unless oil companies commit to new projects.

Last year, Norway boosted recoverable petroleum reserves by 259m tonnes of oil equivalent to 5.89bn tonnes, but the increase was due to adjustments to reserves of producing fields and discoveries not yet developed, rather than to exploration success.

Out of a total of 18 wildcat explortion wells drilled in 1993, just three small discoveries were made, yielding only 9m *tonnes. Optimists, however,* point out that 60 per cent of the continental shelf has yet to be opened for exploration.

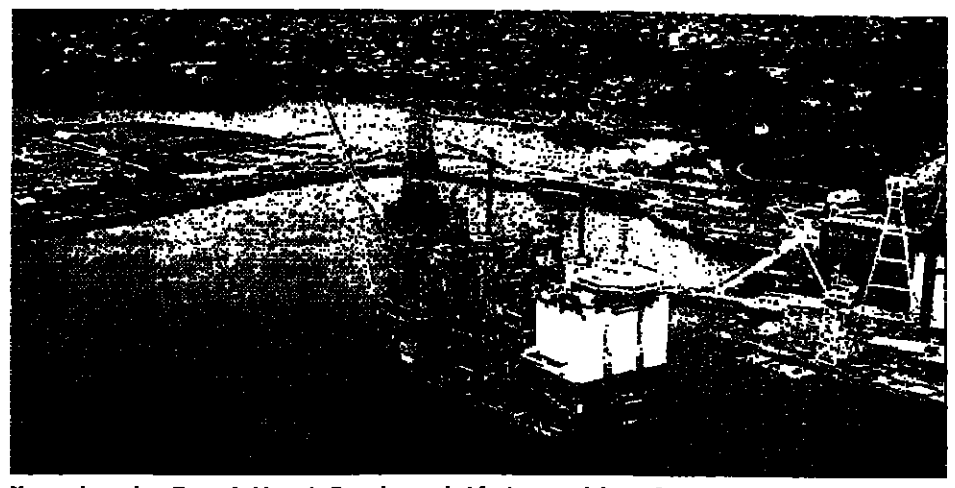
What is certain is the success which Norway is achieving in the transition to becoming an important gas-producing nation. Its share of the western European gas market will soon reach 15 per cent.

"While our oil production will probably reach its zenith in the near future, the large investments in gas-field development will lead to a substantial increase in Norway's gas production from 1995 to the year 2000," says Mrs Gro Harlem Brundtland, the prime minister.

Gas production is expected to reach as much as 70bn cubic metres by the turn of the century, while gas sales contracts already amount to more than 50bn cubic metres annually.

More than half of western Europe's proven gas resources are found on Norway's continental shelf.

Statoil, the Norwegian state oil company, believes that, while the 20th century was the age of oil, the 21st is set to become the gas era, particularly as concern for the environment becomes the driving force behind the growth of gas consumption.



Norway is western Europe's biggest oil producer – but for how much longer?

Profile: **Statoil**, whose future has been assessed by a leading investment bank

State giant is obliged to explore overseas

Last month, two independent *government-commissioned* valuations assessed the value of Statoil, the Norwegian state oil company, at between NKr72bn and NKr80bn.

The purpose of the appraisal – the first ever, but now planned to be undertaken on an annual basis – was to help the government in its assessment of the value and relative performance of Statoil within its industry; but it also makes a good reference tool for eventual privatisation of the group.

The highly sensitive issue of privatisation is not currently on the government's political agenda, and is not likely to emerge until Norway can no longer provide sufficient petroleum reserves to underpin Statoil's production or continue to supplement the group's reserves' base.

Goldman Sachs International (GSI), the US investment bank, assessed Statoil's worth at between NKr72bn and NKr78bn; while Fiba Nordic Securities, a domestic firm, valued the group at NKr80bn, or 17 times expected 1995 earnings of NKr17.6bn and three times book value.

Statoil was established in 1972 as a vehicle to participate in exploration and development on the Norwegian continental shelf, and began basically as a two-man show and a telephone, managed by Mr Arve Johnsen until 1988. It expanded rapidly into downstream operations with Mr Johnsen at the helm, and by 1984 began managing the state's direct financial investment in petroleum operations.

Mr Harald Norvik succeeded Mr Johnsen in 1988, and currently oversees 12,000 employees within and outside Norway. He is faced with the daunting task of finding more oil elsewhere in the world to maintain the group's output and reserves; and, to this end, he established an alliance partnership with British Petroleum nearly five years ago, to help shoulder the burden of expense related to foreign operations.

Statoil currently consists of four principal operating units: exploration and production, natural gas, refining and marketing, and petrochemicals. GSI ranks Statoil as the seventh largest independent oil company in the world.

Last year, its total production reached 204m barrels of oil equivalent, or 560,000 b.o.e. per day. By the end of 1993 reserves stood at 3.87bn b.o.e, giving a reserve life of 19 years.

In order to improve its declining oil production profile, Statoil has embarked on an ambitious international exploration search.

"Recent successes in the Far East, combined with the enormous growth potential of the former Soviet Union, make this new business development a potentially high-growth, though high-risk, area," GSI said.

Since 1991, Statoil has revised its proved reserves upwards by about 191m b.o.e., or 33 per cent of total production, but GSI believes there is significant upside potential for the estimate.

The US bank forecast that Statoil's total production would fall from 221m b.o.e. this year to 178m, or by some 20 per cent, by the year 2000, with the outlook for oil even more dramatic, in line with the general prognosis for Norway's production.

With the important fields of Statfjord, Gullfaks and Oseberg in decline, Statoil's oil production is expected to fall by 35 per cent to 124m barrels by the year 2000.

"With no immediate prospect of significant discoveries on the Norwegian continental shelf, and the relatively immature and uncertain nature of Statoil's international exploration potential, it is unlikely that Statoil will be able to change the trend in oil production in the near term," GSI said.

The US bank points out that the most significant discovery on the NCS since 1986 has been the Norne field, operated by Statoil, with peak production from this field expected to be around 14.6m barrels a year – or 12 per cent of the peak production from the giant Statfjord field.

"On the international side, only the Azeri and Chirag fields in Azerbaijan offer the potential for significantly boosting Statoil's oil profile," GSI said, but warned that, given the unstable political environment in the region, Azerbaijan should not be relied on to fill the gap.

At the same time, Statoil faces rising *production costs, lower revenue generated* by pipeline tariffs and uncertainty over future gas contracts, according to GSI.

Concern is expressed over Statoil's ability to formalise new gas sales contracts, which currently amount to 3.0bn cubic metres annually and are expected to more than triple by 2002.

However, the bank believes that by then Statoil may be competing with cheaper supplies from other domestic producers or a more politically stable Middle East.

"Should Statoil not be able to tie in sufficient supply contracts for its gas, then some developments may well be delayed, which would further negatively impact the company's overall declining production profile," GSI warned.

Nevertheless, Statoil benefits from a well-protected Scandinavian retail market, in which it has captured a 35 per cent share, owns two modern complex refineries and, by 1995, will be well-placed to reap rewards from a forecast upswing in the European petrochemicals industry.

Karen Fossli

Domestic taxation is causing distress signals among shipowners, reports **Karen Fossli**

Fleet renewal may need foreign capital

Norway is one of the few nations that can boast a long maritime tradition, but the industry is undergoing the kind of restructuring not experienced since the 1970s.

Maritime activities account for 15 per cent of gross exports, making shipping the country's third biggest export industry, and employs 61,000 people. The maritime environment consists of everything from shipowners to brokers, shipyards, ship classification, maritime research, design and engineering, specialised law firms and banks geared towards ship-financing.

The country's insurers and underwriters form the second biggest marine insurance markets in the world, after London.

Last year gross freight revenue for the Norwegian-controlled merchant fleet, the fourth largest in the world, rose to an estimated NKr45bn from NKr42bn in 1992, after hitting NKr50bn in 1991.

Even the shipping sub-index on the Oslo bourse is recognised as one of the most comprehensive shipping lists in the world, consisting of 38 foreign and domestic shipping companies with a combined market capitalisation of around NKr35bn.

After a period of difficult market conditions, the shipowners are cautiously optimistic about prospects for 1994. According to R.S.Platou Shipbrokers there was an improvement in tonnage balance in 1993 – despite disappointingly weak growth of OECD countries – thanks to strong economic expansion in China and massive oil stock building.

"Without these two components, tonnage balance would most likely have deteriorated with falling freight rates and ship values as the consequence. Instead, there was a moderate increase in freight rates," according to Platou.

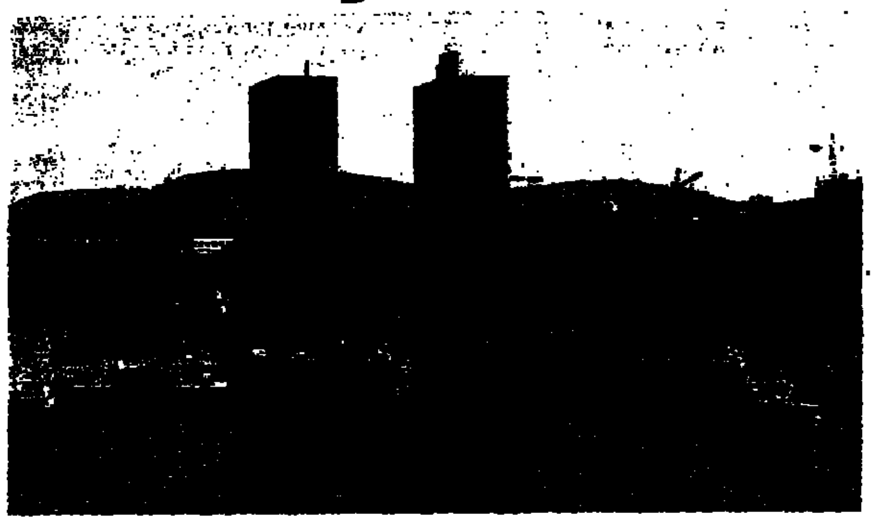
Platou says that, given the uncertainties of economic development, the over-dimensioned shipbuilding industry and a life span of the fleet built in the 1970s that is constantly being extended, the potential for the dynamics on the supply side of shipping are enormous.

"This environment generates a more unpredictable and more exciting market structure than perhaps ever before," the Olso-based shipbroker believes.

Given the uncertainty over markets and increased competitive nature of the industry, Norway's shipowners argue that the domestic tax regime is forcing them to resort to flags of convenience and is inhibiting renewal of the fleet.

The shipowners that stay in Norway are forced to seek foreign capital, causing the ownership structure of the shipping firms to change dramatically as the internationalisation process picks up momentum.

If this development continues, Norway's maritime environment may be in danger of becoming a historical reference if shipowners follow through on threats to relocate elsewhere in the world in the pursuit of taxation regimes which do not undermine competitiveness.



A maritime nation – but competition and economics show little respect for tradition

Seven years ago, Norway's shipping industry experienced a major revival with the establishment of the Norwegian International Ship register (NIS) which worked as an explosive catalyst for attracting Norwegian ships back to a Norwegian flag.

According Mr Ole Jacob Libaek, chairman of Oslo shipbroker O-J Libaek & Partners: "It was the first positive signal ever for Norwegian shipping of acceptance by Norwegian society and politicians."

The primary reason for the establishment of NIS was to stop the flood of Norwegian owners to the flag-of-convenience or "open registers" such as Bermuda and Panama by offering broadly similar savings on crew costs.

Just before NIS was established, the fleet sailing under the Norwegian flag had dwindled to around 9m deadweight tonnes (dwt). The NIS register peaked three years ago when it became the register of choice for 917 ships comprising 40.6m (dwt). By this year, the NIS fleet had, however, been reduced to 790 ships of 33.3m dwt.

Mr Libaek believes that the success of NIS, in spite of uninspiring global market conditions, led to the 1992 tax reform, the timing of which could not have been worse because it coincided with a new global recession.

Under the previous tax regime, shipowners had up to eight years to reinvest profits. Almost overnight taxes for investors buying second-hand tonnage became payable "up front".

Needless to say, the second-hand market all but disappeared, shutting off an important source of risk capital needed by shipowners. Consequently, according to Mr Libaek, only a doubling or tripling of ship values could rescue Norwegian shipping.

The market never improved to the extent that this was to happen, and the new tax law therefore led to a new depletion of the Norwegian fleet with sales abroad – mostly to the Greeks – becoming the order of the day.

The Norwegian Shipowners Association (NSA) estimates domestic shipowners need to raise between $20bn and $30bn over the next decade to maintain their 10 per cent share of the world fleet and to finance fleet renewal. By comparison, the current market value of the Norwegian owned fleet is about $17bn.

Mr Rolf Westfal-Larsen, a former NSA president, estimates Norwegian shipowners must earn at least 25 per cent more than their competitors in order to accumulate the capital needed to renew the fleet.

The average age of the Norwegian owned fleet is around 13 years – younger than the world average – but there is nevertheless the need for renewal.

"Norway's shipping industry is in a period of transition. Although a number of shipowners are optimistic about the future, a question nevertheless remains over where activities will be conducted in future. This is a result of Norway's corporate tax structure and the pressures of globalisation. The taxation issue probably would not have become so important an issue were it not for the need to renew the fleet," said Mr Rolf Saether, managing director of the NSA.

Mr Saether believes the "right" corporation tax could lead to a new revival of the industry. "What we need is the possibility to reinvest profits in new tonnage without being penalised by taxes. This would help the industry enormously and a change is needed urgently. Norway's 28 per cent corporate tax is still far above that of our competitors," he argues.

The Winter Olympics may have opened a door for upmarket tourism

On the fast track from Lillehammer

Norway has launched an ambitious campaign to encourage tourism, in the hope of capitalising on the success of the Winter Olympics in Lillehammer earlier this year. The target is the the big spender.

For 16 days in February, spectacular images of the country's unspoilt nature appeared on television screens throughout the world.During the games no fewer than 10,000 articles appeared in US newspapers alone.

No wonder superlatives abound to describe the country's natural beauty, from the midnight sun in summer to the craggy snow-capped peaks in winter; and it helped that, during the Olympics, the sun shone every day, melting heart of almost anyone tuned in to Lillehammer.

Norway believes the country is just the place for people who want to get back to nature and experience the good, clean, simple life.It certainly is not a destination for the finicky tourist, who expects the level of service and luxury found throughout continental Europe; and it is definitely not for those with a meagre budget.

In 1993, more than 3m foreign tourists spent an estimated NKr16bn in Norway, or some NKr1bn less than the revenue generated by fish exports.

If Norwegian tourists are taken into account, the spending spree reached NKr55bn, according to the tourist board (Nortra). It calculates that, if growth in tourism runs at an annual 6 to 7 per cent, by the year 2000 foreign tourists will contribute NKr23bn annually to the economy.

This year Nortra expects income from tourism to expand by 10 per cent, and forecasts that no fewer than 4.5m visitors will head for Norway, more than half of them this summer, and up to 80 per cent of them purely for leisure.

With tourism one of the country's fastest growing industries, many Norwegians fear that an influx of holidaymakers could harm the environment.But the foreign ministry's carefully targeted promotional campaign should calm anxiety that droves of shallow-pocketed travellers will descend on Norway's rugged mountains, craggy cliffs and myriad fjords.

According to a senior ministry official, the typical tourist visiting Norway is seeking a "special" holiday filled with culture, nature and culinary delights (the country's rich seafood tradition offers everything from arctic cod to salmon, as well as a wide range of whale dishes).

This tourist is at least 45 years old, travels without children and does not mind packing wellingtons and rain gear. He or she would not normally complain about prices, and is likely to be a mid-level executive and a culture enthusiast.

"This is exactly the group we are targeting," explained the ministry spokesman. "We have no plans to expand our marketing efforts to attract youth, the masses or others outside this group, because our product could be destroyed.

"We are not looking for the big numbers, but the big spenders. It's more interesting for us to attract, say, a German executive who returns to Norway year after year."

According to a survey undertaken ahead of the games, the impact of the Lillehammer Olympics alone – the so-called "OL effect" – could increase tourism by an estimated 5 per cent this year.

The foreign ministry began to devise its strategy for capitalising interest in Norway long before the games ended, and it aims this year to undertake substantial media campaigns in the US, Germany, the UK and other European countries.

Last autumn, together with the Norwegian Soccer Association, it embarked on a promotional campaign that is culminating during the current World Cup, where a wide cross-section of foreigners has gathered. Plans include a video-taped Norwegian current affairs programme for television, business seminars, cultural events and presentations of Norwegian food.

There is also a three-year agenda of high-profile cultural events in the US and Spain next year, and in Japan in 1997. These include a Norwegian film festival, in co-operation with the Museum of Modern Art in New York, and concerts by the Norwegian Chamber Orchestra and Trondheim Soloists.

Norway not only sees an opportunity to boost tourism by exploiting the image conveyed to the world during the games, it also believes that business and industry can benefit from the global exposure of the country's involvement in other recent important events – for example, its role as mediator in the historic peace agreement between Israel and the Palestine Liberation Organisation.

"There is a link between extensive media coverage and the export of Norwegian goods and services," said Mr Jan Egeland, state secretary of the foreign ministry, who was directly involved in the peace negotiations.

In the three years before the Winter Olympics, tourism rose by 30 per cent, helped by a surge in interest from Britain, Germany, Holland, and the US.

Yet, for all the efforts in marketing Norway abroad, there is work to be done at home to remove awkward idiosyncrasies that can frustrate and disappoint visitors.Nortra admits that there is some way to go in improving the service-mindedness of Norwegians, to encourage them not to close shops during holidays and weekends and other peak traffic periods, although progress has been made in recent years.

Nortra disputes claims that Norwegian prices are on the whole far higher than elsewhere in Europe, particularly when it comes to accommodation. It urges visitors, for example, to negotiate prices for hotel rooms, particularly in Oslo where capacity is normally abundant.

But tourists may be shocked to find that the cost of a half-litre of beer in a pub can be more than NKr40 ($5.70) and that for a modest dinner for two, including a bottle of table wine, they will have to pay at least NKr700. A large pizza alone can cost up to NKr250.

Prices like these make extended stays for families almost prohibitive; and many activities, such as concerts, cruises and mountain hiking, are geared more towards adults than children.

One of the fastest growing segments of the domestic tourist industry is that of the recreational vehicle traveller. But Norway acknowledges it is little equipped to accommodate such vehicles; few RV parks exist, and there are few chemical and waste receptacles for dumping effluent generated by RVs.

Nortra forecasts that between 60,000 and 100,000 RVs will motor around the country this year, representing a 30 per cent increase over 1993. There are about 970 inspected and classified camping sites, some of which offer hook-up facilities for electricity, showers and toilets.

Camping fees range between $10 to $32 a night, while cabins can be rented for $30 to $90 a night.

Not unexpectedly, Norwegian travel brochures make little mention of RV facilities, but focus primarily on sightseeing by rail, boat, bus or car. But if you drive, expect to pay the highest petrol prices in Europe, running at about NKr7.50 a litre.

Karen Fossli